



Joint Committee of the Senate and the House of Commons

ON

CAPITAL AND CORPORAL PUNISHMENT AND LOTTERIES

Joint Chairmen:—The Honourable Senator Salter A. Hayden
and

Mr. Don F. Brown, M.P.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

TUESDAY, MARCH 29, 1955

WITNESS:

Mr. Virgil W. Peterson, Operating Director, Chicago Crime Commission.

Appendix A: Prepared Statement on Lotteries and Gambling.

Appendix B: "Economic Effects of Gambling".

Appendix C: "The Embezzler—Why Honest People Steal," (Extracts).

Appendix D: "Obstacles to Enforcement of Gambling Laws".

COMMITTEE MEMBERSHIP

For the Senate (10)

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Hon. John W. de B. Farris	Hon. Arthur W. Roebuck
Hon. Muriel McQueen Fergusson	Hon. L. D. Tremblay
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For the House of Commons (17)

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Mr. Maurice Boisvert	Mr. G. W. Montgomery
Mr. J. E. Brown	Mr. H. J. Murphy
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Mr. F. T. Fairey	Mr. R. Thomas
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Mr. Yves Leduc	Mr. H. E. Winch
Mr. A. R. Lusby	

A. Small,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, March 29, 1955.

MORNING SITTING

The Joint Committee of the Senate and the House of Commons on Capital and Corporal Punishment and Lotteries met at 11.00 a.m. Mr. Don. F. Brown, Joint Chairman, opened the meeting following which the Honourable Senator Hayden presided.

Present:

The Senate: The Honourable Senators Aseltine and Hayden—(2).

The House of Commons: Miss Bennett, Messrs. Boisvert, Brown (*Brantford*), Brown (*Essex West*), Cameron (*High Park*), Fairey, Garson, Mitchell (*London*), Montgomery, Shipley (Mrs.), Thomas, Valois, and Winch—(13).

In attendance: Mr. Virgil W. Peterson, Operating Director, Chicago Crime Commission; Mr. D. G. Blair, Counsel to the Committee.

Mr. Peterson was called, presented his brief (*See Appendix A*) outlining experiences and historical background of lotteries and gambling in the United States of America and certain other countries (copies of which were distributed to all present), and commented thereon.

During the course of the morning questioning period, the Committee agreed that Mr. Peterson's brief be printed as Appendix A to this day's proceedings.

The Committee proceeded *in camera*.

At 1.10 p.m., the Committee adjourned its meeting to resume at 3.30 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 3.30 p.m. The Joint Chairman, Mr. Don. F. Brown, presided.

Present:

The Senate: The Honourable Senators Farris and Hayden—(2).

The House of Commons: Messrs. Boisvert, Brown (*Brantford*), Brown (*Essex West*), Mitchell (*London*), Montgomery, Shipley (Mrs.), Thomas, Valois, and Winch—(9).

In attendance: Mr. Virgil W. Peterson, Operating Director, Chicago Crime Commission; Mr. D. G. Blair, Counsel to the Committee.

The Committee resumed and completed its questioning of the witness.

At the conclusion of the questioning period, the Committee agreed that pertinent sections from the following articles written by the witness, to which references were made during his presentation, be printed as Appendices B, C, and D respectively to this day's proceedings:

1. "Economic Effects of Gambling" (See Appendix B).
2. "THE EMBEZZLER—Why Honest People Steal", published by the Chicago Crime Commission (See Appendix C); and
3. "Obstacles to Enforcement of Gambling Laws", from The Annals (May, 1950) of the American Academy of Political and Social Science (See Appendix D).

The presiding Chairman expressed the Committee's appreciation to the witness for his presentation.

The witness retired.

The presiding Chairman presented and read the Third Report of the Subcommittee on Agenda and Procedure. The said report was considered and, on motion of Mr. Winch, seconded by Senator Farris, was adopted as follows:

Your Subcommittee on Agenda and Procedure has held five meetings since February 9 and has agreed to present the following as its

THIRD REPORT

1. On February 8 your subcommittee was instructed to make recommendations to the Committee as to the manner in which evidence is to be obtained from persons undergoing and who have undergone sentences involving corporal punishment for the purpose of determining the deterrent value and other effects of such punishment.

Your subcommittee reached the conclusion that it would be neither desirable nor effective for the Committee or a subcommittee to attempt to obtain such evidence but agreed to recommend that Counsel to the Committee be authorized to obtain *verbatim* evidence, to be taken *in camera* from persons who have undergone sentences involving corporal punishment, in co-operation with qualified after-care officials.

2. Due to the forthcoming Easter Recess of Parliament, your subcommittee recommends that no meetings of the Committee be scheduled during the period April 6 to April 20 inclusive.

3. Your subcommittee recommends that all answers from provincial attorneys-general received during the present session of Parliament in reply to last session's questionnaires be printed as an Appendix to the Committee's proceedings when your subcommittee has determined that no further answers will be forthcoming.

4. Your subcommittee recommends that no hearings of evidence be scheduled beyond the latter part of May so that the Committee at that time may concentrate its attention on a final review and analysis of all evidence then in its possession to determine if and what further information is required; and that thereafter the Committee's proceedings be confined to the preparation of its Report to both Houses.

5. Your subcommittee also recommends that Counsel to the Committee be authorized to obtain all information possible from any organizations in the Ottawa area operating and conducting "Bingo" games; and that Counsel to the Committee also be authorized to peruse the files of the Department of Justice for recent amendments proposed with respect to lotteries.

All of which is respectfully submitted.

At 4.45 p.m., the Committee adjourned to meet again as scheduled.

A. Small,
Clerk of the Committee.

EVIDENCE

TUESDAY, March 29, 1955.
11.00 a.m.

The PRESIDING CHAIRMAN (*Mr. Brown, Essex West*): Would the committee come to order please.

It is regretted that there are so many committees meeting this morning that we do not have the attendance we usually have. We are also pleased this morning to have added to our committee Mr. Thomas representing the Social Credit party. Mr. Johnston has had to be replaced and Mr. Thomas will ably represent his party and we welcome him to the committee.

Thursday next, March 31, there will be a meeting of the committee in this room at 11.00 a.m. The witnesses will be the Canadian Association of Police Chiefs. They have been heard before but they are to give a further presentation after further consideration of capital punishment, corporal punishment and lotteries.

Also, on Tuesday April 5, we will have Dr. Thomas D. Dixon who is the consulting psychiatrist at Burwash Reform School in Ontario. He will give a presentation on corporal punishment. Then, of course, we will recess for Easter. At the close of this meeting there will be a conference of the committee *in camera*.

Now Senator Hayden will take over this meeting if it is your pleasure. He will not be able to be here on Thursday. We will ask him to take over today if he will.

(Senator Hayden took the chair).

The PRESIDING CHAIRMAN (*Hon. Mr. Hayden*): We have as our witness today Mr. Virgil W. Peterson, Operating Director, Chicago Crime Commission, who will speak to us on lotteries. Mr. Peterson is a native of Iowa and a law graduate of Northwestern University. He was a member of the F.B.I. for twelve years during which time he was in charge of activities in various places in the United States including Milwaukee, St. Louis and Boston. In the past 13 years he has been the operating director of the Chicago Crime Commission on lotteries. This is a voluntary association, the description of which might be an association giving some supervision to proper law enforcement. He is also the author of some books—"Gambling, Should It Be Legalized", "Barbarians in our Midst", and also has written numerous articles. He was a principal witness before the Kefauver committee, is a recognized authority in the United States particularly on problems related to gambling, and in that respect he is an advisor to jurisdictions in many parts of the United States.

Mr. Peterson.

Mr. Virgil W. Peterson, Operating Director, Chicago Crime Commission, called:

The WITNESS: Mr. Chairman, members of the committee, ladies and gentlemen, I might state at the beginning that I have a very profound admiration for the standards of law enforcement which you have maintained in Canada and which have been maintained in England. I am going to deal, of course, in

my presentation here quite largely with conditions in the United States or the historical background of some of our experience with lotteries and other forms of gambling in the United States. While it is true that we have certain problems that are peculiar to our traditions and our political system in the United States I do think that at least some of our experience is comparable to the experience which has been had in most sections of the world. It is not entirely peculiar to America.

I certainly do not want to impose on your time to read this long presentation. I think that each one of you has a copy of it. I will go over it very briefly. I believe that your counsel suggested that I hit a few of the highlights in it. I will do that as rapidly as possible.

It is sometimes believed that our anti-gambling and our anti-lottery laws in the United States were based on a puritanic atmosphere. This is not historically correct. In fact during our colonial period we had all kinds of lotteries. Almost every public organization had a lottery—perhaps churches would be built, and even Harvard and Yale universities were financed in part by lotteries. But, particularly following the revolution, the professional promoters became very active in lotteries as such and the abuses became very widespread. It was not the puritan, so to speak, who took the action. It was the substantial people of various jurisdictions. For example, as early as 1762 the provincial assembly of Pennsylvania denounced lotteries as a public and common nuisance and declared that they were responsible for vice, idleness, and immorality, injurious to trade, commerce and industry; and against the common good, welfare and peace of the province. One of the difficulties they had in the early history was the counterfeiting of tickets when they created a national lottery which the continental congress proposed in 1776. You will find subsequent thereto in numerous jurisdictions there were laws passed, stringent laws, trying to deal with that particular problem.

Following the Revolutionary War lottery promotions became more numerous than ever. The new nation was sorely in need of revenue. But as the historian John Bach McMaster observed, “. . . taxes, the people would not bear.” It would have been useless to issue bonds because the government was unable to guarantee the payment of interest. Consequently lotteries were widely utilized to raise money. “Whenever a clumsy bridge was to be thrown across a little stream, a public building enlarged, a school house built, a street paved, a road repaired, a manufacturing company to be aided, a church assisted, or a college treasury replenished, a lottery bill was passed by the legislature.” The Pennsylvania Mercury on August 24, 1790, reported that “the lottery mania appears to rage with uncommon violence.” Lotteries were flourishing in every part of the nation.

Following the Revolutionary War the lottery business was taken over by unscrupulous promoters, and there was fraud in connection with the lotteries. The only people who seemed to be making a large amount of money out of it were the promoters themselves and we had in America bodies appointed to investigate this situation. In fact the general assembly of New York appointed a select committee on lotteries which conducted a thorough investigation and in the detailed report, submitted on April 6, 1819, it revealed that among other abuses defalcation on the part of the three lottery offices had resulted in losses to the state of \$109,144.99.

The official report stated that “The foundation of the lottery system is so radically vicious that your committee feel convinced that under no system of regulation that can be devised, will it be possible for this legislature to adopt it as an efficacious source of revenue, and at the same time divest it of all the evils of which it has hitherto proved so baneful a cause . . . The only recommendation of the system of raising money by lottery, is the cheerfulness with which it is paid.”

Although the lotteries were ostensibly authorized for the purpose of assisting worthy causes and institutions, frequently the professional lottery promoters alone benefitted.

The House of Representatives of Pennsylvania appointed a committee to investigate the lottery system. The committee expressed the hope that the experience of the state of Pennsylvania with legalized lotteries would stand as a lofty beacon to warn us of the danger of trusting to any system of finance that is based upon an immoral foundation. The committee trusted "that when this blot is wiped away, the legislative power of the state will never again be allowed to tarnish her fair name to protect her treasury." An Act was proposed for the entire abolition of lotteries.

The Boston Mercantile Journal compiled figures which established that in 1832 the people in the eight states of New York, Virginia, Connecticut, Rhode Island, Pennsylvania, Delaware, North Carolina and Maryland spent \$66,420,000 for lottery tickets. This amount represented "five times the sum of the annual expenses of the American government and . . . nearly three times the whole yearly income."

As a result of these various public investigations in connection with lotteries, beginning about 1933 most of the states enacted anti-lottery laws.

In the state of Illinois, the Constitution, section 27, article IV, states:

The general assembly shall have no power to authorize lotteries or gift enterprises for any purpose, and shall pass laws to prohibit the sale of lottery or gift enterprises in this state.

Beginning about 1833 virtually all the lotteries in the United States were abolished, but beginning after the Civil war, again, particularly in the south and more particularly in the state of Louisiana, certain states authorized lotteries. You had large gambling syndicates such as the C. H. Murray Company of New York which worked with representatives in New Orleans. The representatives of this syndicate in New Orleans was Charles T. Howard and he persuaded the eastern syndicate that the time was ripe to apply for a charter in Louisiana. The charity front was used by this group of professional gamblers. It has been proven that the organizers of the Louisiana lottery paid \$50,000 in bribes to the legislators and state officers in order to assure favourable action on the proposed charter.

Needless to state, the legislature authorized the charter and notwithstanding many protests against the lottery, Governor Henry Clay Warmoth signed the bill. The Louisiana Lottery Company was given a charter which became effective January 1, 1869, and was to run for 25 years. The company was exempt from taxation. Following the example of many gambling enterprises it operated under a charity facade. The New Orleans Charity Hospital was to receive \$40,000 annually from the lottery company.

The Louisiana Lottery Company soon learned that although officials of the state government might be ignorant, they were highly expensive. Legislators not only had to be bought, it was necessary to make them stay bought. According to affidavits executed by two of the incorporators, at least \$300,000 was paid in bribes by the lottery company during the first seven years of its existence. Some legislators were given shares of stock in the lottery company as a means of perpetuating their good will. In fact, graft paid to the venal state government reached such proportions that the profits of the company were negligible for the first few years of its existence.

Then, it brought in as a front two highly respected generals who were in great favour in the south. They had fought for the Confederacy there, General Pierre Gustave Toutant Beauregard and General Jubal A. Early. They appeared at the public drawings. After it got on a professional basis

it was promoted on a big scale. It is well known that for about 20 years it virtually controlled Louisiana politically. Governors, United States senators, judges, owed their positions to the influence of the lottery company. About one third of the mail which came into New Orleans was made up of lottery mail and there was a lot of opposition to it in various parts of the country. There was a newspaper man for example—a feature writer on the New Orleans Times Democrat—who learned that the paper had secretly changed hands and that the Louisiana Lottery Company had purchased the controlling interest. I merely mention this to show the method of operation. And then a man by the name of Colonel A. K. McClure, editor of the Philadelphia Times exposed the illegal activities of the Louisiana Lottery Company in Pennsylvania, an attempt was made to intimidate him. The editor of the New Orleans Times-Democrat invited Colonel McClure to attend the New Orleans exposition. Before McClure could leave his train upon arriving in New Orleans he was served with a U.S. District Court writ in which the lottery company demanded \$100,000 damages for libel. The writ had been issued by Judge Edward Coke Billings, a known friend of the lottery company. Because of his action in this case he became known as “Midnight Order” Billings.

Originally the Louisiana Lottery Company was closely allied with the state carpetbag government there, in other words with a large number of Negroes who had become influential in government. But before long it became expedient for the lottery company to become closely identified with those who were ardently advocating white supremacy there. When there began to be agitation against the Louisiana lottery, the lottery used everything in its command; it paid a lot of the political figures to try to perpetuate the lottery.

I want to call attention to the fact that it became so bad that a dignified law journal wrote:

The Louisiana state lottery is a nuisance which stinks in the nostrils of the whole nation and the federal constitution ought to be changed so as to vest in the general government a police power to suppress such nuisances.

The President of the United States, Benjamin Harrison, sent a special message to the United States Senate and House of Representatives on July 30, 1890, in which he stated, “The people of all the states are debauched and defrauded... the national capital has become a sub-headquarters of the Louisiana Lottery Company, and its numerous agents and attorneys are conducting here a business involving probably a larger use of the mails than that of any legitimate business enterprise in the District of Columbia... The corrupting touch of these agents has been felt by the clerks in the postal service and by some of the police officers of the district. Severe and effectual legislation should be promptly enacted to enable the Post Office Department to purge the mail of all lettres, newspapers and circulars relating to the business.”

It was on the basis of the special presidential message that Congress enacted a law which made it a criminal offence to deposit lottery matter in the United States mails. At that same time the Louisiana lottery wanted to gain another charter and the fight against it was led by Edward Douglas White a famous New Orleans lawyer who later became Chief Justice of the United States Supreme Court. In the state election of 1892, the lottery served as the sole issue in the contest for governor. Louisiana—perhaps less than the other states—could not be charged as being a centre of puritanism, but the people, knowing the bad experience they had, went to the polls and outlawed the lottery. That was the last big lottery which was legalized in the United

States. Now, in the report (see appendix A) I have given briefly the experience in England which I will not go into. You can read it in this presentation. Also the Irish hospital sweepstakes, the national lottery of France and I have some other notes on a number of the other places and might mention one or two.

For instance, there is the Russian scheme where a lottery is tied in with their issue of bonds. I might mention what looks to me as a rather interesting matter which is not in this brief—

Mr. BROWN (*Essex West*). I wonder if we might have some elaboration on some of these points as we are going along. I think it would be interesting to the committee, for instance, if you mentioned something about the Irish sweepstakes and what they do in Russia on these bonds.

The WITNESS: I will be glad to. The early experience of England dates from the first English lottery which was projected in 1566 until 1826, and a large amount of revenue for public works was raised through lotteries authorized by parliament. It is true that in the United Kingdom it was the illegitimate offspring of the lotteries themselves which caused a lot of difficulty. For example, John Ashton an historian of repute wrote a history on gambling and mentions the fraud that was perpetrated through dishonest drawings and counterfeiting of lottery tickets. There was an item in the *London Times* of July 22, 1795, concerning one of these illegitimate offsprings of the lottery which was called "Little Goes". This article state:

No man of common sense can suppose that the lottery wheels are fair and honest, or that the proprietors act upon principles anything like honour, or honesty; for, by the art, and contrivance, of the wheels, they are so constructed, with secret springs, and the application of gum, glue, etc., in the internal part of them, that they can draw the numbers out or keep them in, at pleasure, just as it suits their purposes; so that the ensurer, robbed and cajoled, by such unfair means, has not the most distant chance of ever winning; the whole being a gross fraud, and imposition in the extreme... bidding defiance to law, and preying upon the vitals of the poor and ignorant... proprietors are well-known bad characters, consisting of needy beggars, degenerate swindlers, gamblers, sharpers, notorious thieves, and common convicted felons; most of whose names stand recorded in the *Newgate Calendar* for various offenses of different description.

That was in 1795.

As a result, in the lottery Act of 1823, parliament provided for the discontinuance of state lotteries. After a century passed, there was again a considerable amount of agitation to legalize lotteries in England, and the national government appointed a Royal Commission in 1932 which said in the beginning of its study that the commission had a strong feeling that the laws should be changed to permit legal lotteries. It said:

So vociferous had been the agitation on the part of certain groups in the House of Commons, as well as elsewhere, that the commission approached their examination of this phase of the question feeling that some legislation would be necessary. So conclusive and overwhelming was the evidence, however, that the commission unanimously concluded that public lotteries are most undesirable and ought not to be legalized.

The Royal Commission of 1932 aptly pointed out that it is not always realized that the Acts prohibiting lotteries grew out of the ills that arose when they were legal.

About 20 years later, following the great social and economic upheaval resulting from World War II, a Royal Commission in England took a more lenient view with reference to football pools and similar forms of gambling.

I might state, and I think it is fair criticism, that I think you have to look at the subsequent findings of the committee in the light of certain economic conditions which were present there at the time. For example, in the United States you had a big upsurge in such forms of legalized gambling as pari-mutuels during the depression. Until 1926 we only had 3 states in which pari-mutuels were legalized. In 1926 Illinois came in, but between 1930 and 1935, I believe it was 18 states came along. It was a means of revenue. These lotteries in England, of course, were not for the purpose of revenue, but I think there were certain economic and social factors which were present.

We do not study anything in a vacuum. That might have had some bearing on their change of attitude. It appears that a number of evils have resulted. At any rate, a report from Britain, which appeared in *Forbes Magazine of Business*, on August 1, 1950, states:

Gambling is unbelievably rampant, particularly among the working classes. Here they have developed gambling on football into big business. 'Pools' of gigantic financial size permeate the United Kingdom... we have nothing like this in the United States...

Then it expresses the opinion that these conditions have affected the welfare of Britain materially, financially, and spiritually. Two years later a dispatch from England showed that they were spending about \$1.8 billion a year on gambling.

An army of men and women is employed in the gambling industry when they are needed in production elsewhere, and hundreds of tons of paper are being used for gambling paraphernalia while newspapers have had to be cut to the bone and school children are denied essential books because of the paper shortage.

Civic leaders were warning that a danger point had been reached because of the "tremendous place gambling has taken in the peoples' lives."

I did notice in reading from the book written by the former superintendent of detectives of Scotland Yard that even in England the bookmakers, in order to collect their gambling debts, at times turn them over to people like the Hymie Brothers, comparable to our Capone's. So, I would think that England does have a certain amount of problems in attempting to keep the criminal element out of at least some phases of the gambling business.

In the Irish hospital sweepstakes I would say that perhaps one of the things present there is present in Nevada which is the only state in America which has legalized all forms of gambling. They say it is not our local people we cater to, but the tourist trade. I have figures for 1934, which is 20 years ago, which indicate that 65 per cent of the tickets were purchased in Great Britain, 14 per cent in the United States, 6 per cent in Canada and only 7 per cent of them in Ireland, and the remaining 8 per cent were disposed of in 108 countries. Nevertheless, even there a few years after the Irish sweepstakes were founded, a committee of the Irish parliament declared, "The gambling craze has affected all classes... and the total results are demoralizing, uneconomic, thriftless." The Dublin Mercantile Association complained of "the amount of gambling in the Free State, which diverts both energy and money from industry and commerce, and causes grave disturbances to the public mind." The Catholic Herald commented that "the Irish Free State from end to end... has become a sordid gambling den."

The French national lottery was established in 1933 and 1938 it was abolished because

Its contribution to the national revenue is small; and independently of this, it raises grave moral dangers. . . . Economic recovery presupposes as a first condition that the taste for work and economy should resume its real place, and the improvement in personal situations should not be a matter of hazard alone.

Then it was re-established as you know. An article in the *Cosmopolitan* magazine in 1947 and 1948 made this statement:

In France, the government is always taking the citizens to task for not gambling enough. The way the government looks at it, it is the duty of every Frenchman to invest as much of his loose cash in the *Loterie Nationale* as his income and wife will allow. This lottery is not just a casual game; it is a national trait. It causes more arguments than politics, attracts bigger and more demonstrative crowds than prize fights and horse races, and is one of the nation's chief home wreckers.

The article stated that revenue from the lottery was an important item in the national budget and with the sad state of France's finances no political party would disturb it.

In Russia they have had a lottery scheme under which they sell bonds. Those bonds were for restoration of development of the national economy. For example, there were two drawings for October 1954. About 65 per cent, or almost two thirds, of the bond holders—for example, those on the drawings of 1954—received only the face value of their bonds back. Prizes were given to the remaining 35 per cent ranging from the maximum of 25,000 rubles, and other prizes ranging from 1,000 up to 25,000. Frankly I do not think much of that form of financing. If I were a bond holder I would rather have my interest as it is due.

I might mention one thing. I mention this because it seems to somewhat typify the general trend regarding legalized gambling almost everywhere. In November 1951 I talked with Herbert Becker who was head of the police department in Wiesbaden, Germany, who came in to see me. He mentioned there was a law enacted in Germany specifically for football pools which provided for a state controlled company to engage in the football pool business. All pools are handled by this one company. In Wiesbaden there are about 50 places such as drugstores and similar places where football pool tickets are sold. He mentioned that the state receives one half of every bet on football pools and so forth. Then he mentioned the system of controlling casinos. He said there was one casino in each of six cities, Wiesbaden, Baden-Baden, Homburg, Neunair, Travenumende and Lindau. Among other things, it is rather interesting that only one casino was permitted in a town. A person who resided in that particular town was not permitted to go into the casino there. When he came into a casino he had to show his identification card. The reason for that regulation was under the law, if a person became broke, for example, the town had to support him, hence the towns did not want their own citizens going to the casino. As a practical matter, however, they would go to a town perhaps 40 miles away. The indication was that things were controlled and that the law was working well. As a matter of interest the *New York Times* also had a report in 1951 in which it stated that Germany has had no social problems due to gambling—In January 1955, however, there was an article with German dateline carried in the *New York Times* which states "Gambling craze worrying Bonn." The article stated that West Germany starting with the Ruhr, is trying to end the gambling craze that has come over the German working man since the war. The Ruhr, with the largest concentration of working people in western Europe, has become a poor man's Monte Carlo. The Ruhr municipalities are, as a matter of fact, blaming Americans as the developers of the slot-machine industry. The industrial centre of Bochum in the Ruhr has become

a Reno with neon lights blazing in front of gambling halls filled with slot-machines, as well as other forms of gambling. There were 18 major gambling halls in this town as of January 1, 1955, and so the municipality prohibited all slot-machines as of January 1, 1955, and announced that if the courts found it had to pay damages it was prepared to pay the damages for confiscating this gambling equipment. There were other municipalities in Germany which followed suit and some of them had already closed down the gambling halls before this. It was stated that particular criticism of the conditions had been made by the unions, Social Democratic Party, and the churches. Particularly in the Ruhr and throughout Germany's industrial north, a dangerous percentage of the worker's earnings had been going into the slot-machines in these gambling places. I thought that was rather interesting because a little over three years ago I was told by the head of the police that everything was under control, and in that same year these same observations were made in the *New York Times*.

In summarizing the history of lotteries in the United States, there was an article by William E. Treadway in the *American Bar Association Journal* of May 1949. It stated that:

Of all sumptuary legislation enacted in the United States, the various state and federal statutes tending to outlaw traffic in lotteries perhaps have withstood both frontal assault and flank violation for the longest time.

Now, most of you people are familiar with conditions which prevail insofar as lotteries are concerned in South America and in Puerto Rica, for example, since I presume many of you have been there. Hence, I will not go into the details of them. I have some notes on them if you are interested. Many of the social and economic conditions which prevail in the South American countries or Mexico or Puerto Rico would hardly serve as models that we would want to follow in the United States and in Canada. Puerto Rico gambling conditions certainly have not been very good. In Mexico, virtually everybody sells lottery tickets which are divided into fractions of tickets. Hence, anyone, no matter how poor, can invest money in either a ticket or a portion of a ticket. Also in some of those states lotteries and other forms of gambling are highly political. The president of Cuba, for example, has a certain percentage of the tickets reserved for himself and the lottery is used for political patronage.

You might be interested in a comment with reference to Australia. You will find there that the bookmakers pay taxes to the commonwealth and registration fees to the turf clubs, and must post bonds to cover bets. They are screened by the police as to character. There is a rather interesting article in the *Chicago Daily News* of March 24, 1952, which stated that there is a fast growing gambling mania in Australia which ranks Australia with Americans as the biggest gamblers in the English-speaking world. This article had statistics which show that Australians were spending \$13.50 a year on beer, \$12.70 on tobacco, and at least \$91 on gambling. They spent \$788 million a year in legal and illegal gambling. This article was written in 1952. It was estimated that 67 per cent of the public is drawn by quick-riches dreams to state-run lotteries which have been taking in about \$26 million a year and paying out in prizes \$16 million. Public sentiment there favours the illegal off-course bookies.

Now, I do not want to take up too much of your time.

I was saying to the minister something about our problems with bingo, and how they have been handled in the United States. I have a discussion particularly relating to New Jersey beginning at page 24 of my brief, giving some of the background.

In the early 1930's, the game of keno, then known as beano and later as bingo, was used as an inducement to attract patronage to moving-picture theatres. This practice was later declared to be illegal. The patrons were getting poor quality pictures. The theatres were merely using gambling devices as a means of getting people to come to the theatres.

The same principle is back of objections to using any kind of a gaming device as a trade stimulant. It results in offering an inferior product to customers and the legitimate business man is at a great disadvantage also.

In the 1930's, in Massachusetts, it was permissible to license charitable and religious organizations to operate keno games for the purpose of raising funds.

In August, 1936 the mayor of Lawrence, Massachusetts, determined that since the beginning of the year beano parties had raised \$32,000 for charity, yet only \$700 of the \$32,000 had been turned over to charity.

In Worcester, Massachusetts, a church sponsored a \$550,000 state-wide beano drive. The promoters failed to turn over one cent to the church and a federal investigation was initiated. Several persons connected with the promotion were arrested. It was determined that professional gambling promoters had taken advantage of the Massachusetts law by establishing numerous dummy charities after which they engaged in huge commercial gambling enterprises.

At the present time, in 42 states out of 48, the game of bingo is illegal.

There has always been a policy, but certainly not an officially declared policy, of making no great efforts to enforce the Bingo law to any extent in many of your larger metropolitan areas this is true when it is operated by a church or by any other organization for charitable or religious purposes. However, in America we also have the experience that even if it is a charitable or a religious cause, that does not always mean that the professional promoters are out of the picture.

I know of a man who has been in the carnival business for half a century. He lives in Cook County, in which Chicago is located. There, for so-called worthy causes, carnivals were permitted, but a gang of hoodlums would control those carnivals. He told me that a syndicate, the members of which are closely allied with notorious hoodlums, handled virtually all church and "worthy cause" carnivals in a large section of Cook County, Illinois, the county seat of which is Chicago. These men are professional promoters and make big money from the operation of gambling games designed to raise funds for religious or charitable organizations.

A few years ago a huge bingo game was operating in Chicago allegedly for the purpose of raising money for a boys' club. The alderman of the ward in which the game was operating was said to have sanctioned it. Each night the hall was packed. Chicago newspapers exposed the game and the connection of a member of the city council with its operation. It was determined that some of the operators were professional gamblers who also were on the payroll of the city. The exact benefits, if any, the boys' club derived from the bingo game were doubtful.

In commenting on this affair, an editorial in the Chicago Daily News, dated December 19, 1949 stated:

"The practice has been to permit bingo where the profits, or a substantial part of them, are assigned to worthy charity. Inevitably, less worthy causes squeeze under this immunity blanket, and promoters and racketeers search for philanthropies which will lend the respectability of their name in return for a portion, often trifling, of the proceeds.

I might mention that the charity gimmick has been very commonplace in many of our gambling premises in America. As a matter of fact, in Nevada

it is frequently claimed that the gamblers contribute large amounts of money to charity. You may recall Benny Binion, a notorious gangster who is now in penitentiary. He said he was willing to finance sending a college basketball team to a National tournament several years ago, but public sentiment turned him down. However, frequently the actual amount which goes to charity fund gambling operations is very small.

New Jersey is the state that is now being looked upon as the state which has enacted laws with teeth in them in connection with bingo for charitable purposes. New York is now using New Jersey as an example. The matter will probably be placed before the people in New York, in a referendum within a few months.

In Michigan there was an election last November, and the people of Michigan voted down the proposition to legalize bingo for charitable purposes.

In Chicago there has not been much open agitation for Bingo. I did notice, however, that in the tavern owners' publication called "Licenced Beverage News" published in August 1954 in Chicago, Illinois, there was a headline "Why Not Bingo Here?"

An article in the same issue stated that:

Raffles and bingo have been legalized in New Jersey after the people were given the opportunity to vote on the question of legalizing such games. Now, we understand, business has been booming for tavern owners in New Jersey despite a ruling they cannot sell liquor while a raffle or bingo game is in progress.

The article suggested that taverns post signs for the purpose of arousing public opinion in behalf of proposals to legalize bingo.

In New Jersey there has been appointed under their new law a legalized games of chance control commission, popularly known as the Bingo Commission. This law has been in effect only since April, 1954, which is about one year. Actually it can be doubted whether it has been in effect long enough to make an effective appraisal of the New Jersey law. However it certainly is true that it has not solved their problems.

It is doubtful whether or not New Jersey can maintain the adequate controls which have been established.

The legalized games of chance control commission in New Jersey is composed of five none-salaried commissioners representing both Republican and Democratic parties on a three-two ratio. A budget of \$250,000 was allotted for its first year of operation. The commission is charged with the responsibility of regulating raffles and bingo games, conducting investigations. The New operation of games, and promulgating needed rules and regulations. The New Jersey law limits bingo and raffle licences to *bona fide* veterans, charitable, educational, religious or fraternal groups, or first-aid, volunteer firemen, or rescue squads. Political organizations cannot obtain bingo licences.

In an effort to prevent racketeer control of bingo game operations—that is one of the big problems in America—the New Jersey law provides that only active, unpaid members of an organization can run games for it and no one is permitted to operate bingo games for more than one organization during a year.

Likewise, in order to prevent over-commercialization with its inevitable racketeer control, prizes are limited to \$1,000 a night, with a limit of \$250 on any single game. Also banned under the New Jersey law are chartered buses, advertising free sandwiches, door prizes and the rental of bingo equipment.

Racketeers in the past, have succeeded in taking over a large share of the profits through the rental of bingo equipment. The New Jersey law is intended to prevent that evil from occurring by requiring each organization either to purchase or borrow the bingo equipment.

It has been our experience in America, and in some other places as well, that whenever you have a lucrative operation, then racketeering elements are going to take over; and that is true regardless of whether it is for charity or some other worthy cause.

The New Jersey law provides controls which, in my opinion, are absolutely essential if there is to be any hope of preventing racketeering infiltration. In fact, the governor of New Jersey appointed a committee of nine outstanding lawyers to draft a bingo-raffles law that would specifically protect the game from invasion by professional gamblers and other undesirable types. Out of 536 municipalities, only thirteen towns voted against permitting bingo games under the new law, and only 18 towns voted against raffles.

The head executive director of this Legalized Games of Chance Control Commission is a former police officer, named Arthur A. Weller. His salary is \$10,000 a year.

During the first eight months when the bingo law was in effect, he said that he had had more headaches than in thirty years as a police officer. But, based on the evidence of the first eight months, he believes that their law could be controlled. The big fear, he maintained, is the danger that raffles may get out of hand if the legislature relaxes its present regulations.

I shall not go into the statistics on the amount or the number of games they have had under the new law but it is quite substantial. It is rather interesting that Mr. Weller made a statement on January 22, 1955 when he said that the present law in New Jersey is strong, and that it knots up everything. He said: "I don't know of any loopholes."

But just three weeks later, however, Arthur A. Weller in a public speech on February 11, 1955, advised that racketeers had begun to move in on legalized games of chance, bingo and raffles, and were getting as much as 50 per cent of the receipts of such games. The racketeers' foothold was gained through a loophole in the law that left the renting of halls uncontrolled. That was a loophole, he said, which had to be eliminated. In other words, New Jersey has not completely solved its problem.

A competent observer in the Newark, New Jersey, *Star-Leger*, John R. McDowell, has stated that legalized bingo in New Jersey "Now promises to become a more explosive issue than it ever was in its illegal days." An editorial in the Newark, New Jersey *News* of December 7, 1954, stated:

The State Bingo Raffles Commission charges that Jersey City officials have made little attempt to enforce the bingo and raffles law, a complain that it has leveled at other communities . . . What is wrong in Jersey City and other municipalities is negligence and non-feasance and this would not be changed by bigger and more varied prizes, paid personnel, more advertising, bus transportation to games and the other things which have been demanded.

An earlier editorial in the Newark, New Jersey *Ledger* on September 11, 1954 observed that:

There are complaints now from the very people who were supposed to be helped by the bingo law—charitable, religious, fraternal and service organizations which raise funds for their worthwhile work through bingo games. They say the prizes permitted by the state bingo commission are too small to attract big crowds which used to come when the game was illegal. Profits as a result dwindle.

In addition to the demands for larger prizes, there has been developed pressure for laws which will permit advertising on television, radios and in newspapers, the operation of chartered buses and hiring professional managers and bookkeepers to operate the bingo games. Demands are also made to remove the regulation which requires cash raffle tickets to be sold only on the premises and to promulgate regulations which will enable organizations to sell such tickets anywhere they please. In some instances there have been open defiances of the regulations and this defiance has sometimes persisted even when the offender has been called before the commission and found guilty of violating the law. Some municipalities have been charged by the commission with permitting organizations to operate bingo games in violation of the law. Democratic Senator Bernard W. Vogel publicly charged that "Repeated complaints by participating organizations indicate the administration of the law has caused great confusion, chaos and considerable expense."

The governor of New Jersey and the State Bingo Raffles Commission are unquestionably right in assuming that, if present regulations are weakened, the door will be open for big-time gambling operations and their eventual control by underworld elements. But with the refusal of some municipalities to enforce existing regulations, coupled with the terrific pressure which is being exerted to force a relaxation of the law, it would appear doubtful if adequate controls can be maintained for any appreciable length of time. Of course, the brief experience with the New Jersey law makes it impossible to arrive at definite conclusions in this regard. It does appear quite evident, however, that New Jersey has far from solved its bingo problem through its legalization scheme.

Laws have already been introduced to try to get rid of present controls, and as I indicated earlier, the New Jersey law has been in effect only for a short period of time.

I thought you might have some interest in this. On March 13, 1955, representative Fino of the New York legislature, who is strongly urging the legalization of bingo in New York, stated:

Do we need any further proof than we have received in New Jersey? How foolish can we get?

Several months earlier, an editorial appearing in the Newark, New Jersey Sun News on September 12, 1954, indicated that the solution is not quite so simple. Said this editorial:

There are demands that New York do as New Jersey did—legalize the darn thing and then all the trouble will be over. That hollow laugh you hear on the right comes from the harassed members of the New Jersey's State Bingo Raffles Commission. That is what they heard last year in New Jersey's campaign for governor. Now look.

In other words, that is the observation of Newark papers that are on the scene.

In closing I would like to say that I have listed a few principles which I believe must be considered in attempting to arrive at a solution of this problem, beginning on page 36 and going through to page 38 of my brief. I do not believe I need to read them, because they are there, if you are interested in them. (*See Appendix A*)

Mrs. SHIPLEY: I think they had better be read, because they would be the very questions we would be asking the witness, and it might avoid a lot of questioning. Do you not think so, Mr. Chairman?

The PRESIDING CHAIRMAN: I think so.

The WITNESS: In attempting to formulate legislation on lotteries, bingo, and other forms of gambling there are certain principles which should be kept in mind.

Widespread or mass gambling is harmful and detrimental to the public welfare. History has clearly reflected the truth of this statement. The poor man and the members of his family usually suffer the most from the presence of mass gambling. Laborers, for example, who lose money to professional gamblers have less "take home" pay and their living standards are lowered. Outstanding labor leaders, such as Walter P. Reuther of the United Auto Workers Union, have consequently fought commercialized gambling in industrial plants because of its evil effects on the working man and his family. J. Ramsay MacDonald, the former prime minister of Great Britain and one of England's great labor leaders stated, "To hope, for instance, that a labor party can be built up in a population quivering from an indulgence in games of hazard is folly."

Commercialized gambling is highly lucrative and history shows that in the United States the racketeering and underworld elements invariably gain control over it.

In the United States there have developed alliances between the underworld in control of gambling and political organizations or leaders resulting in the corruption of government generally and law enforcement in particular.

Gambling as a business is entirely parasitic in nature. It exploits human weaknesses on a basis which makes it impossible for the professional gambler to lose and impossible for the patron as a class to win. The "house percentage" makes this result inevitable even though the games are operated honestly. And swindling and fraudulent methods have been commonplace in commercialized gambling operations. At the turn of this century an internationally famous political economist and former president of Yale University, Arthur Twining Hadley, referred to professional gamblers as "worse than a parasite on society." And, said Hadley, "the more enlightened the community, the more decided is the moral disapproval, and the more persistent are the attempts to enforce legal prohibitions of lotteries, policy shops and book-making establishments."

All legislation, whether restrictive or prohibitory, should have for its purpose the control of gambling in the public interest.

A permissive statute should never be tied to a revenue measure. If commercialized gambling is authorized as a means of raising revenue it eventually results in a virtual removal of all adequate controls. Governments, state or national, never get enough revenue and once the policy is adopted of raising revenue through gambling licenses it becomes expedient to encourage more and more gambling places to obtain more and more revenue.

The history of most legalization schemes in the United States reflects that they resulted eventually in the removal of all adequate controls. And much legislation which prohibits gambling grew out of abuses which became prevalent when gambling was legal.

The gambling problem has existed since ancient times in all parts of the world. There is no easy solution. Usually efforts to solve the problem go in cycles—legalization, intolerable abuses leading to prohibitory legislation, poor enforcement coupled with the desire for easy revenue, and a renewal of legalization schemes.

I certainly do not intend to be and do not want to be dogmatic. This is a subject which has defied any solution from time immemorial.

I have considered it a great honor to appear before your committee. I hope that some of the facts and observations I have presented to you will be of some assistance to your committee.

The PRESIDING CHAIRMAN: Now, we will have the questioning period. Miss Bennett.

Mr. BROWN (*Essex West*): Before you start on the questioning period may I suggest that the brief which has been presented here be appended to our proceedings for today.

Carried.

(*See Appendix A*)

By Miss Bennett:

Q. Mr. Peterson, I would take it from this brief and from your experience that lotteries, practically in any form for any purpose, are ordinarily impossible of eventual control?—A. That has been its history. Take in colonial days, for example, in the United States, there were not great abuses at that time when small lotteries were being operated by churches for instance, but before long the lotteries were taken over by promoters and they started promoting it and it just kept rolling. It has been the experience that, generally speaking, various legalization schemes have a tendency to spread the problem and not contain it.

Q. What do you do, for instance, in connection with your games of chance at your fall-fairs and smaller social gatherings?—A. In America?

Q. Yes.—A. I would guess that it is probably the same as here. The law is not enforced. There are all kinds of carnivals, and so forth, operated by the American Legion, churches and similar organizations. They operate without any interference from the police to any great extent. However, we have had all kinds of experiences with gambling conducted by such organizations as well as by private clubs. During the Kefauver committee hearings we obtained admissions. Here is a concrete example relating to the Tam-o-shanter Country Club. There was a room upstairs where this club had a number of slot-machines. Eddie Vogel, the slot machine king and Capone gangster from Chicago, actually owned the machines and he got 40 per cent and the country club 60 per cent. His man came every Monday morning and got the proceeds. Several years ago the club decided to buy its own machines which it did but the manager of the club got a call from one of the county officials who told him "You cannot do that. How much do the machines cost?" In fact, this was a law enforcement officer, and he said, "You had better call this number". This number happened to be Eddie Vogel's number and Vogel said "How much did you pay for the machines". When he was told about \$1,400 he said "there will be \$1,400 delivered to you; they have to be my machines." And Vogel's man continued to make collections as before.

In other words, there is a lot of money in gambling operations and in many of our bigger cities the racketeers are not going to overlook any operation which become lucrative, regardless of whether it is ostensibly operated for charity or any other worthy cause or by a private club.

By Mr. Montgomery:

Q. I would like to ask one question of Mr. Peterson, Mr. Chairman. In your experience in lottery gambling and bingo, does it lead to more serious crime?—A. Well, there are two things involved, the gambling places naturally attract the hoodlum element—and I am speaking now not from a standpoint of lotteries but of gambling places—also a large number of such offences as embezzlement stem directly from overindulging in gambling. I prepared study sometime ago regarding the offence of embezzlement and its causes.

(*See Appendix C*).

Q. Like stealing. The younger class of people are more inclined to inhabit those places and spend their money and go there in gangs?—A. There is no question about that. That was one of the difficulties in Louisiana when the lottery and policy game flourished last century. Children and messenger boys stole money and postage stamps to play the lottery.

In a period of two weeks in Chicago we had one banker embezzle \$40,000 and another one \$2,000, both highly respected men. They started playing the horses on a small basis. There is no law can completely eliminate that. But then they started trying to recuperate their losses and the first thing they knew they were in too deep. Most of the embezzlement cases, of course, never come to court; they are settled outside court.

By Mr. Mitchell (London):

Q. Mr. Peterson, you mentioned that in 42 of the 48 states lotteries were illegal. Does that mean a flat prohibition?—A. I think that is largely true.

Q. In other words there are no exceptions?—A. There are exceptions in six states. Most of those have to do with bingo and that sort of thing and are for charitable purposes. The only state which has any laws with any teeth in them is the recent experiment in New Jersey. That is the only place where there has been any effort made to enforce the laws. For example Rhode Island has a law where they cannot give cash prizes; it has to be merchandise. That has been openly flouted. There have even been advertisements for the giving of big cash prizes. Connecticut's law has not been enforced. The only state where there has been any actual effort to enforce some controls over it has been in the state of New Jersey.

Q. That does not result from any difficulty which there might be in interpreting the law; the law itself in those 42 states is a flat prohibition?—A. Yes, that is my recollection.

Q. What has been your experience regarding lotteries in connection with the sale of merchandise? Are those also prohibited?—A. You mean in the states there?

Q. Yes.—A. I know that in Illinois there have been many rulings against them, and I think in most states they would be considered illegal.

Q. We had before us some few weeks ago a group representing the Retail Merchants Association who were very strong against the conduct of raffles or lotteries whereby merchandise was offered under one scheme or another as the inducement for the buying of certain products. Would that be the submission of the American Merchants Association?—A. I am sure of that. There is no question about that. I get the bulletins of the Better Business Bureau in Chicago. Every few weeks there is an item in the bulletin which reflects that it has obtained an order of one kind or another or threatened action against some company to force it to cease using a gambling device as an inducement to purchase merchandise. The reason back of this position is, I think very sound. For example, when a merchant is giving away a prize or using some kind of gambling device in order to induce patronage, generally speaking he is able to pawn off a much inferior product at a higher price. This is true because people who are interested in buying merchandise will say, we might as well buy this and then we get a chance of winning something else, if the prize is substantial enough. As a result, the legitimate businessman who does not resort to that sort of thing cannot compete with the merchant who may be doing a land-office business in his merchandise which is inferior, and could not compete on a strictly competitive basis with the other merchandise.

Q. I have one other question. Does the element of skill enter into the question as to whether or not that form of merchandise is legal or illegal?—A. Do you mean under our law?

Q. Yes. If there is mixed skill and chance involved such as answering some kind of a silly question, does that legalize that kind of an operation?—A. I cannot answer that yes or no. However, there is a judge in St. Louis, Missouri, who has been vigorously objecting to these supposedly contest prizes. Frequently the replies to the contest have actually no bearing on the winner. Winners are selected on a geographical basis, and it is purely a merchandising or advertising scheme. He claims they all violate our lottery laws. Now, the reason that I cannot answer the question yes or no is that I am sure in some jurisdictions you may have judicial holdings that it would not violate the law particularly if some element of skill enters into the picture. I believe that a lot of them are just schemes to get around the law.

Q. If I may give one concrete example, what would happen to the state of Illinois if a manufacturer instituted a scheme whereby certain tickets were given on a purchase of merchandise and then the customer was asked to say: "when did the United States obtain its independence?"

The PRESIDING CHAIRMAN: Or "Who was the first president of the United States?"

The WITNESS: I am sure that would be held a violation of the lottery statutes.

By Mr. Mitchell (London):

Q. In other words, the combination of skill does not enter into it; it is an absolute abolition?—A. However, you have all kinds of contests of this sort. For example, on an essay basis where perhaps you have to send a coupon. Those things have all been held legal. But I do not think that that is what you have in mind.

Q. No. The straight case where there is a gimmick attached which is alleged to be skill?—A. I am sure that that would be immediately attacked, amongst other things by the Better Business Bureau.

By Mr. Valois:

Q. I would like to congratulate Mr. Peterson on his presentation. What comes to my mind is this. I think you have covered the ground very well as to what the legislation should be. That is the legislation side of it, but in my mind the main problem is law enforcement rather than legislation. This we have already on the statute books. We have sections to cover gambling and lotteries, but I am afraid that the law enforcement has not been able to meet the situation. Do you have any comments on that?—A. You mean your problem is that the laws are not always enforced?

Q. Yes.—A. Certainly we have those problems in America. However—and I want to be germane to your question—the common statement is made, for example, that the laws are not adequately enforced so why do we not legalize gambling and control it. In the first place, my opinion is that we have somewhat of a tendency to place different standards of law enforcement as far as these laws are concerned than on some other laws. This may not be true here, but I venture to say that in Chicago perhaps there is no law that is violated by as large a number of people as our traffic laws. However, we do not say with reference to traffic: why do we not just legalize present traffic violations and then we will have law enforcement. As a matter of fact traffic violations are a principal source of corruption. In my opinion, in considering these questions, the problem is whether or not by legislating some legalization scheme you are going to improve conditions.

I am speaking from the standpoint of public welfare. Now, the same argument has been made from time to time with reference to prostitution. It is referred to as the oldest profession and it is contended that we should have legalized restricted districts and that sort of thing. That has been no solution at all. It has only aggravated the problem when you have restricted districts. We used to have restricted districts in Chicago, but none of the restrictions were enforced; even in France it was a failure. There was corruption and venereal disease spread and everything else. It was a complete failure.

I do not pretend to know what the situation here is, but in America, for example, a lot of the agitation for legalization schemes has come from the people who have a selfish motive in wishing to get the legalization. For many years Chicago was wide open and the Capone gang controlled gambling in the Loop. In 1947 Martin H. Kennelly became mayor and in recent years widespread gambling disappeared. For these past several years there has been virtually no wide open gambling in the city of Chicago. Why was Kennelly dropped by the machine as its candidate this year? In fact, last week at a meeting where Vice-President Nixon was speaking the man who received the biggest applause was Mayor Kennelly. Why? Because he gave the people good government and he had wide support. When the gambling laws were enforced under Mayor Kennelly it was not the people who said we do not like that kind of law enforcement. It was the machine politicians who came from bad wards who objected to the policy of good law enforcement and they would not accept Kennelly as a candidate again. It is true that many people like to patronize these places. It is true that I suppose everybody likes to make a wager or something along that line. But the state should not say to individuals, if you make a bet the state is going to pounce down against you. The law should be against the business of gambling. Sometimes private places are raided and that sort of thing. Why is that? I do not mean that sometimes it may not be accidental, but very frequently it is on behalf of the gambling interests who want to arouse public sentiment against the gambling laws. It is part of the planned program.

By Mrs. Shipley:

Q. Did I understand you to say that in the 41 states where lotteries are banned that there is generally speaking no serious effort to interfere with bingo games provided they are reasonably small and for a legitimate purpose such as charitable or fraternal and no big operators move in; they do not attempt to enforce it?—A. I may have made that statement, but I do not mean to be that broad, because there are exceptions. For example, in Wisconsin the laws are very stringently enforced against everyone. Wisconsin is a very clean state as far as government is concerned. I have to generalize on this without the specific facts. My guess is that in Chicago there is no great effort made to enforce the law if it is some kind of church carnival or bingo game and that sort of thing. And that does not mean in some instances that there may not be professional people and racketeers actually promoting the game, because frequently it is true. But, the authorities do not want to get into a hassle with a church group or the Legion for example. It is on a basis of political expediency in many cases. I might mention that Cardinal Stritch in Chicago banned the church gambling. That edict was handed down a few years ago. So there has not been very much of that in Chicago for quite some time.

Q. It worked?—A. Yes. As a matter of fact I think the Archbishop in New Orleans banned it there also. There are a number of places where that has happened.

Q. From your experience, do you think that it might appear that Canada could be at somewhat of a crossroads as far as lotteries and bingos are concerned at the present time? There has been an upsurge in the past few years?—A. I might make this observation. As I mentioned at the beginning, I have a profound respect for the standards you have maintained up here, but I will say this: if you get big time gambling operations up here, I would be very, very surprised if you do not have any gangsters and that some of our gangsters from the States will move up because they will not overlook any opportunity. I am not basing that on conjecture. Who runs the places in Nevada where gambling is legal? You may remember when the Nevada law first went into effect about 1931 and the next 15 years the propaganda in Nevada was that it was all run by their own people to keep the gangster element and hoodlums out. Well, we who had been studying the situation knew that was not exactly the true picture. Benjamin "Bugsy" Siegel, one of the most notorious gangsters in the nation did not have much concern for the propaganda and opened one of the biggest gambling casinos in Las Vegas. Eventually he got himself bumped off. That focused the public attention on the very substantial number of big time gangsters who were out there in Nevada. So now the publicity has taken a different turn and they say, "Well these are professional people, people who know how to run professional gambling joints. Those are the only people who know how to run them and we do not try to keep them out." Of course, they also admit that a lot of them they cannot keep out.

Q. If we amended our law with respect to lotteries to put in all the controls that are known to prevent professionals moving in and to keep them at a reasonable level, I mean in size of prize having in mind the type of law enforcement we have in Canada, do you think we might be successful in controlling lotteries at a reasonable level?—A. What type of lotteries do you have in mind?

Q. Bingos for veterans and service clubs and so on; only charitable and religious organizations, not national or provincial or anything of that kind.—A. I certainly do not think you can control a national lottery or a big operation.

Q. Quite small things in comparison with what they have in the United States.—A. If you have very rigid controls and then actually enforce them, I think there is a possibility of preventing the usual evils; but you have got to bear in mind that with rigid controls you may run into the same situation as in New Jersey, or at least I think there is a possibility of that. Take for example the problems that have arisen from pari-mutuel betting in the United States. It should not be hard to control activities within the enclosure of a track. But as you well know, after pari-mutuels were legalized, it was argued that, if it is all right for a person to bet at a track, what is wrong with him going some place else. I refer to that because I think it presents these problems.

Possibly rigid controls might be enforced, but I think that people would have to be willing to accept those controls. On the other hand, in New Jersey they apparently do not want adequate controls, and the opposition is coming from the very people who were pleading for legalized Bingo.

By Mrs. Shipley:

Q. I think they do it in a very big way, when they try to clamp down on it. But Canada has not yet reached that stage. There might be an exception in the odd town, but I would not know. Would any of these compare with what they are trying to stamp out there?—A. Yes. I could not give you a flat answer and say that you can or you cannot. But I think

it could be successful. I can see where you could put on rigid controls and may be able to enforce them. I would not be too hopeful in the light of the experience we have had in the United States and in the light of the experience in many other places; but it might possibly be done.

By Mr. Winch:

Q. I have two questions. The first one might be a little difficult for the witness to answer. I gather from what you said that in the United States your legislation on matters with respect to those we have under discussion is state legislation, while your enforcement is also done by the state; whereas here in Canada our legislation is on a federal basis, and our law enforcement is on a provincial basis. Could you comment as to what you think of the success of being able to enforce on a provincial basis legislation which is passed on a federal basis?—A. Well, that certainly does present a certain law enforcement problem. I want to clarify one thing. Most of our laws relating to this type of legislation are on a state basis; while the enforcement is almost one hundred per cent on a local municipal basis.

Mrs. SHIPLEY: So are ours, in a municipal way.

The WITNESS: I read you a section of the constitution of the state of Illinois. There is a provision in the constitution which was passed by our state legislature; but from the standpoint of enforcement it depends exclusively on the local authorities at the municipal level, not at the state level. I mention that because I understood you to say differently from that.

Mr. WINCH: You have to go to the Attorney General in any province if you want to enforce the law on raffles.

Hon. Mr. GARSON: In eight of our provinces, the major police force which administers the law is the mounted police, which is a federal organization, and which is contracted to the state; and they use that. But the decision to prosecute has to be made by the provincial Attorney General or his assistants.

The WITNESS: It is completely fallacious to try to compare gambling laws with the repeal of liquor laws, for example, as there are entirely different principles involved. But irrespective of that, one of the great weaknesses in the federal prohibition law was that the law was a federal matter, while the enforcement was in the hands of the local authorities which in many instances were not in favour of that law. Certainly this situation weakens enforcement. It weakens the enforcement of any kind of law. Does that answer your question?

By Mr. Winch:

Q. Yes. Now I have one more question. Would Mr. Peterson state whether or not he thinks it is possible to any major degree to stop people from taking part in a game of chance, whether it is legal or illegal? And if it is possible, then would he agree that it is better to have as much control by legislation and law enforcement as possible, even if it has proven to be somewhat inefficient and difficult to enforce?—A. I do not think there is any question but what there is a tendency for many, many people, for example, to make wagers. But I question whether it may be as widespread as it is sometimes represented. I read, for example, that someone said in the United States that four out of every five people gamble. That is a very broad statement. Maybe four out of five people do, but it all depends on what you are talking about. The general statement that four out of five people gamble is meaningless because, for example, you and I might make a bet, and we might not make another bet for two months from now, or something like that. That does not create any law enforcement, social, or any other kind of problem. When laws are passed which legalize certain phases of gambling, I think the tendency is not to maintain controls, but to eliminate controls over the long run.

I do not know how accurate these figures are, but I did see some figures from New Jersey on the year preceding legalization. They claimed that there were 215 illegal Bingo games in the year preceding legalization. In the first eight months of the past year, according to their official figures, they had ten thousand and some odd games; certainly the legalized Bingo law did not reduce the amount of gambling. If anything, it may have increased it; but accurate comparable figures are not available.

The PRESIDING CHAIRMAN: Did it regulate gambling?

The WITNESS: It did regulate it, yes.

The PRESIDING CHAIRMAN: I do not think we can finish with the witness at this session because it is now after 1.00 o'clock. The suggestion has been made that we adjourn our questioning until 3.30 this afternoon and meet in room 258.

The Committee proceeded *in camera*.

AFTERNOON SESSION

The PRESIDING CHAIRMAN (*Mr. Brown, Essex West*): We will come to order, ladies and gentlemen.

We will proceed with the questioning of Mr. Peterson.

By Mr. Thomas:

Q. I was wondering if in Mr. Peterson's opinion in the line of sweepstakes, such as the Irish sweepstakes, if it would overcome most of the objections if a government corporation were to take over the issuance of sweepstake tickets and probably hold a sweepstake 3 or 4 times a year. Would that get away from the evils of gambling which apparently crop up from time to time under any other system?—A. Certainly I do not think from the standpoint of gambling that it would reduce it. You are putting the state, in substance, in a big scale gambling operation. Do you have in mind that it would be operated by a company which is controlled by the state?

Q. Yes.—A. That has been done for example in Sweden and that is the way it was also handled in Germany. My personal opinion is that it is not the proper function of the state to engage in that kind of activity.

Q. We can agree with you there, but the point I was getting at is, if a government agency did go into the operation of selling government sweepstake tickets, shall we say in competition for example with the Irish sweepstakes which sell a good number of tickets here annually, would it not be the better of two evils to maintain something like that of our own in competition?—A. As I understand your question I do not think you would reduce the demand for the Irish sweepstake tickets.

Q. It would simply double up?—A. Yes. The person who buys the Irish sweepstake ticket would also probably buy from your state-controlled lottery here. There is one thing which I think has been definitely proven which may not be exactly germane to your question. To legalize one form of gambling—to give the people an opportunity to place a bet on a lottery—which is under the control of the state—does not mean that you are going to limit it to that. In other words, it has a tendency to spread wider and wider. In more modern times in America one of the principal arguments on behalf of parimutuel betting at tracks—there was certain testimony given before a Senate committee investigation—was to the effect that if you legalized the parimutuels that the big evils would be eliminated. It was claimed that it was in illegal bookmaking establishments, that the people of the low-income bracket were spending their

money. And the argument was made that if you make it available within a race track enclosure, properly controlled by the state, that would eliminate the other form of gambling with its bad consequences and only those who could afford it would go to the track. Now in recent years the argument to license off-the-course-betting has taken just the opposite tack. They say if people of means can go to the track, why should you not have off-the-course-betting for the others. One seems to open the way for the other.

Q. You do not think, as far as pari-mutuels are concerned, that they made any serious inroads into the bookies' purse?—A. I think for some time in the United States the racetrack was the centre of operations of the bookies business and that bookies spread by leaps and bounds.

Q. The legalized pari-mutuels do not offset the bookmaking business?—A. No. I think it went the other way.

Hon. Mr. HAYDEN: I might be inclined to say I disagree.

The WITNESS: I am speaking of the United States and from the standpoint of factual information I do not think there is any question about it spreading.

Hon. Mr. HAYDEN: The angle which struck me was this, with the bookmaking you had all the things which flowed from a group of bookmakers, whereas the principle of pari-mutuel betting is that the public are putting their money in the machines and the machines make the odds, and it does not matter whether one horse wins or another what the odds are. It is the public's money which is being inserted in the machines and some of it is being abstracted in the form of taxes.

The WITNESS: My point did not have to do with that particular point. My point was, that when you legalize pari-mutuels as such the argument formerly was that you will have all gambling in the enclosure and you will control it and do away with these bookmaking establishments but that was not the result. As a matter of fact the racetrack is the base of operations for the bookmaking activity and, instead of controlling gambling and limiting it to the small race track enclosure, it grew by leaps and bounds in the United States. For example, with the Nationwide News Service the whole base of its operations was on the legal race track. Yet its dealings were with the illegal bookmakers all over the country. The same was true with the Continental Press. My point was not the thing you mentioned. Legalization of pari-mutuels did not have the result it was claimed it would have in eliminating bookmaking.

Hon. Mr. HAYDEN: That goes back to improper law enforcement because what the bookmakers were doing was illegal.

The WITNESS: Yes.

Mr. BROWN (*Essex West*): I understand what the witness is saying is that, if we did not have the racing in the vicinity, we would not have the bookmakers.

The WITNESS: My principal point was, that the argument was made that the legalization of pari-mutuel betting was going to eliminate illegal bookmaking but as a matter of fact it did not do that.

The Presiding CHAIRMAN: Have you any further questions, Mr. Thomas?

Mr. THOMAS: No.

By Mr. Brown (Brantford):

Q. In speaking of the Irish sweepstakes—a considerable number of people buy these tickets—have you any figures or any statistics of how much of the intake from that goes to support these hospitals in Ireland?—A. No, I have no figures.

Hon. Mr. HAYDEN: I think we were given some figures.

Mr. BLAIR: We were given some figures on this by the United Church people last year.

By Mr. Brown (Brantford):

Q. I was wondering if Mr. Peterson had any figures. Aside from what you gave us in the brief, I believe there is a statement from the Catholic Herald that the hospital sweepstakes give enormous impetus to this sort of thing. Could you tell us whether there is any incidence of racketeers getting hold of the sweepstakes in Ireland?—A. I have no information on that.

Q. We have often heard that you cannot prohibit gambling because of the gambling instinct and sometimes a comparison is drawn with the prohibition of illegal liquor. Have you any comment to make on that type of argument?—A. Yes. In the first place it has been proven, as far as the best opinion of psychologists is concerned, that there is no such thing as a gambling instinct. There is a propensity on the part of large numbers of people to make wagers, but it is not an instinct, for instance, like the sex instinct. In fact we were talking about the Eskimos during lunch and I do not think that they do any gambling at all.

Mrs. SHIPLEY: It is too cold to hold the chips.

The WITNESS: Yes. There has been no problem there. I do say that the business of gambling is not analogous to the liquor business. Let us look at several of the angles involved. In the first place the sale of liquor is the sale of a product. Disregarding the compulsive drinker, and you can disregard along the same line compulsive gamblers as such, when you go into a beer or liquor store or any place else there is a product, a glass of liquor or a bottle of liquor or whatever it might be; that is a product. That is either worth the money I spend on it or it is not, and I either buy it or I do not buy it. As a matter of fact that is why with reference to that type of thing a large number of people—for instance in times of depression—do not buy any or at least buy very little liquor. But, when you get into the field of gambling, you are not selling a product which a person determines whether it is worth \$5 or 85 cents or whatever it might be, you are appealing to the emotions. The business of gambling appeals to the emotions. If this were not true, there would not be very much of it. In a gambling operation the only people who do not gamble are the people who are engaged in the business of gambling, the operators. On the south side in Chicago, which is in the lower income brackets, in depression periods gambling is rampant because these poor people hope to gain something for nothing. It is an emotional appeal. Perhaps something more analogous to gambling than liquor, particularly from the standpoint of control, would be prostitution which also deals with emotions. Before prohibition, you had big industries or manufacturers engaged in the production of a product—liquor. You had distribution of that particular product; you had the retail outlets for that particular business. Now, when prohibition came along and said in substance it is illegal to take a drink, all of a sudden the manufacturing, the distributing and the retail outlets, were illegal. This meant that the hoodlum element came in. The distribution of liquor was manned with machine guns and there was a vast organization to handle the manufacture, the distribution and the retail sale of liquor. Prohibition did not bring about organized crime, but it certainly gave impetus to a more rigid and effective organization. The point I am trying to make is this, that as far as gambling is concerned, you are not changing the complexion of the business one iota and the same people will control it whether it is legal or illegal. In fact, when prohibition went out of existence—when it was repealed—in our country the retail outlets were in the hands of pretty much the same individuals who were running the retail outlets during prohibition. Take the bookmaking business. Today in our country one

of the focal points or important segments of the business is the wire service for furnishing information to all the bookmakers. It is not an illegal business. It is a legal business in the States and the courts have so held. I do not agree with the decisions because whenever anybody is engaged in distributing something which is being used almost solely for illegal purposes I do not follow the court decisions which hold such a business lawful. But they claim it would interfere with the freedom of the press and so on. In any event, it is legal and you are not changing the complexion of that segment of the business by any legislation which would legalize the bookmaking business.

By Mr. Boisvert:

Q. Although I am in accord with much of what the distinguished witness has had to say, I should like to ask one or two questions. Mr. Peterson, could it be true to say that gambling is one of the main factors in the commission of embezzlement?—A. I have brought something here on the problem of embezzlement. (*See Appendix C*) It is a study which appeared in the *Journal of Criminal Law and Criminology* on the problem of embezzlement. It is a result of a survey I made with the leading surety companies throughout the country. Their experience should be a good criterion of the causes of embezzlement because the surety companies provide the bonds and pay losses resulting from embezzlement. In the order of causes of embezzlement which I got from the 20 leading surety companies in the country the principal factors which lead to embezzlement are (1) gambling (2) extravagant living standards (3) unusual family expense (4) undesirable associates (5) inadequate income. Some companies estimated that gambling on the part of employees has been responsible for 30 per cent of the losses of those companies. Other companies blamed gambling for as high as 75 per cent of their total losses. The manager of the bonding department of one company, wrote, "gambling is one of the greatest evils sureties must contend with under their fidelity bonds." Another manager stated that "gambling appears in more embezzlements than in any other causes." The secretary of one large company, based on the experience of 100,000 cases, placed gambling next to extravagant living standards as the most important factor in causing embezzlement of funds by employees in connection with losses of \$5,000 or over. Gambling ranked third as the cause of employee dishonesty. Gambling was said to be responsible for 15 per cent of the losses while it caused approximately 25 per cent of the larger losses. One surety manager wrote: "Gambling is probably the greatest single contributing factor that we know of and this is particularly true with claims of large size."

There was a study also made a number of years ago by a surety company, the United States Fidelity and Guarantee Company, which published a pamphlet entitled "1,001 Embezzlers—a Study of Defalcations in Business". It stated that in a statistical analysis of mercantile embezzlements committed by 963 men involving losses totalling \$6,127,588.48 gambling and/or drink was listed as the most frequent cause of defalcation. Gambling and/or drink and speculation were responsible for 26.3 per cent of the embezzlement offences under study. In other words, according to the studies we have made and which we know from our own experience in Chicago quite a large number of embezzlements are based on gambling.

Q. On the same vein is there any evidence that the crime of embezzlement is increasing in a community where gambling is tolerated or permitted by law?—A. I do not have any accurate figures on that. You get in almost all of your big communities—in the States at least—certain forms of legalized gambling. I am speaking of *pari-mutuels* at the tracks. I do know that from the standpoint of business management they make a lot of complaints about

embezzlements stemming from gambling. They do not want to be identified specifically but they have a lot of trouble where you have gambling and that does not have anything to do with whether that is illegal or legal.

If the truth were known, many big gambling operators do not want to locate in legitimate business centers. When the employees and patrons of legitimate industry start losing funds in gambling places, the first thing you know you have associations of businessmen saying we must get rid of this thing. Take for example the slot machines. During the days when Chicago was wide open, with few exception slot machines were not operated in the city. This was true, even though the door was wide open for bookies and almost all other kinds of gambling joints. The political machine in power would not tolerate slot machines in the city proper. In the county, yes. Why? Because when slot machines were in delicatessen stores and places near schools the kids, instead of spending their lunch money for lunch, dropped it in the slot machines. Then the parent-teachers association and large groups of citizens rose up in anger and said we have got to get rid of this wide open gambling. So as a matter of good business the hoodlums always kept the slot machines out of the city proper. That is the way it has worked out, generally speaking. It was true in New York and several other larger cities.

Q. Do you make much of a distinction between the operation of slot machines and pinball machines? I am asking you this question because one of the Canadian legislatures just passed a law to deprive the use of pinball machines.—A. I would have to answer that by saying it would depend on the nature of the pinball machines. You have certain pinball machines that are subterfuges for slot machines. To show the soundness of this statement the federal government in America taxes each slot machine \$250 including, for example, the one-ball pinball machines, because they are definitely used as subterfuges for slot machines. In addition, you have certain types of pinball machines where on the inside of the machine a record is kept of the number of free games. Cash is paid out on the free games, which is definitely a subterfuge for a slot machine. There are other pinball machines where the player puts in 1, 2, 3, 4, or 5 nickels or several dollars worth without pulling the lever on the machine and the odds are thus increased. This is actually used as a slot machine. The people may say this is not a slot machine, it is a pinball machine, and yet for all practical purposes it is a slot machine. There was a meeting of the slot machine manufacturers in Chicago about 1950 and the minutes of the meeting were studied by the Kefauver committee. These manufacturers were mapping out a plan to defeat a proposed Federal law against slot machines. At this meeting of slot machine manufacturers were one or two of the big pinball manufacturers. They knew definitely they were in the slot machine business.

Q. In the matter of slot machines, is it true that in Chicago very recently they have discovered that those slot machines were fixed in such a way that it could not bring any return to the slot machine player?—A. Well, all of the slot machines are set. It is a mechanical device which can be set however the operator wishes. Usually your slot machines are handled by operators. In the Chicago area, Eddie Vogel of the Capone gang controls all slot machine operation. Slot machines are all mechanically fixed to return a certain percentage of the take in payoff; either 10-90 or 40-60, whatever it might be. There have been some experiments and scientific studies made on that score. In an amazingly short period of time, if a player starts with \$10 and keeps putting the winnings back in the machine, the machine takes all of the money. Let me give you a good example of the tremendous profit in slot machines. Harold's Club in Reno is operated by two former carnival people. They are supposedly of good reputation. They have 700 slot machines in Harold's Club in Reno where all gambling is legal. The federal government takes \$250 tax per machine per year and the state and local governments take another \$250. So

virtually it requires \$500 a machine for taxes alone. There are 700 machines so that it would be \$350,000 in taxes that are paid on those machines each year. Now, they claim that the machines are set at 95-5 rate. That is, 95 per cent is paid out in jackpots. That is what they say. You can easily figure what they would have to take in just to pay the taxes alone and I do not suppose they have them in there just to pay the taxes. When you call the slot machine a one-armed bandit that is the right word for it. Of course, they have every other form of gambling device in that place. I think their net profits over different years have been over a million dollars. So they are not losing money.

Mr. BROWN (*Essex West*): Is there no control over the setting of these machines?

The WITNESS: No. How can you control it?

Mr. BROWN (*Essex West*): Somebody controls it.

The WITNESS: The operator can set it. You see, they have slot machine mechanics there and they can set them at whatever figure they want.

Mr. BROWN (*Essex West*): I remember when I used to work there in the pari-mutuel department the government would take 5 per cent and the track 5 per cent and if the public gambled \$100,000 in the first race and put all their winnings back in the second race they would bet \$90,000. At the end of seven hours they would go home with \$43,000 out of \$100,000. Is there any way whereby the government sets the amount of the take of these one-armed bandits?—A. You mean a government.

Q. Yes.—A. No. I think it is based solely on competition. They claim that they have the biggest pay-offs of any place in the country. You have, as a result, machines out there in almost all the eating places, the drug stores, and other places.

Mr. THOMAS: It would be a nice place for a combine, would it not?

By Mr. Blair:

Q. I have one or two questions. Would you care to comment on the effect, from the standpoint of law enforcement in general, of laws which the authorities seem incapable of enforcing?—A. Just what do you mean?

Q. I will be more pointed. We have in Canada lottery laws which create a great enforcement problem. Concern has been expressed in this committee as to the effect of the lack of effective enforcement of those laws on other areas, by bringing the law in general into disrepute. I wonder if you would care to comment?—A. Yes. Whenever you have a widespread disregard for any law, certainly the tendency is to lower enforcement standards all along the line. However, experience indicates that by legalizing one or two lotteries you do not eliminate all others or obtain general compliance with the gambling laws. At least, historically, you are not going to reduce law violations with reference to other lotteries or with the illegal offsprings of those that have been declared legal.

I am thinking of lotteries during the colonial days in the United States, or of the Louisiana lottery. The same thing was true in England prior to their Lottery Act of 1829. The fact that there were several legal lotteries did not mean that all the people participated only in them, or that it reduced violations of the law in other fields. In other words, there were widespread illegitimate offsprings of the legal lotteries. So you have not solved the problem by saying that we will recognize those two lotteries and that those are the only two that we are going to have, because you have promoters who are going to get into the field and exploit it. In the days of legalized lotteries they were even selling tickets on what ticket might be drawn, or come out lucky. I do not know if that satisfactorily answers your question.

Q. I take it from what you have said that if we in Canada feel we have a problem in the enforcement of our lottery laws, your answer is that the problem is not helped by liberalizing the provisions for lotteries?—A. I think the same principles generally apply. I do not know if I referred to Ray Everett this morning, and the question of prostitution.

Mrs. SHIPLEY: Yes, you did.

The WITNESS: I think about the same principle applies. That is my personal opinion. You may be able, in certain areas to maintain adequate controls. It may be possible, but I do not know. If you could hold rigid controls, then it is possible. But I am not too hopeful. I think it might be possible, but I certainly do think if you open up the area and provide a base of operations for professional gambling promoters then you are going to have trouble.

Q. Thank you.

The PRESIDING CHAIRMAN: Are there any further questions?

By Mr. Winch:

Q. I have one more question. We have had a number of representations before this committee on the question of raffles and bingo suggesting that they should be legalized, but there should be a definite limit on the size or the amount paid out. Of course it logically follows that the committee always asked: what is the limit? So what is your suggestion? We find it almost impossible to get a definite answer. I notice on page 31 of your brief that you mention the New Jersey law and how they limit the bingos and raffles; and you point out that the prizes are limited to \$1,000 a night, with a limit of \$250 on any single game.—A. Yes.

Q. Have you any information or idea as to how they just happened to choose those figures?—A. Well, no, except that those figures and the regulations were laid down. As I mentioned this morning, the governor of New Jersey appointed a nine-man committee to examine into this field. I think the regulations adopted were designed primarily to keep out the racketeering elements. It was their opinion apparently—and I would guess probably with some justification—that if the amount of prize money, for example, was not higher than \$250 a game, or not more than \$1,000 a night, it would mean that it would not be a big operation. As I mentioned this morning, and as will be noted in my brief, the people are not satisfied with that. They want bigger prizes and permission through new regulations to have professional operators and that sort of thing. That is why there is a very big problem. The New Jersey law has legalized bingo games for worthy causes and has established adequate controls, but the laws do not seem to please the people. Now, there is all this agitation, and as has been said it is more explosive now than it was when it was illegal.

I mentioned that the legislature, through public agitation, is now introducing bills which will virtually eliminate a lot of those controls if they are passed, and it is a question whether they can hold the line.

Q. Thank you.—A. I could not pick a figure out of a hat and say this is it, this will keep it down.

Q. The reason I asked my question was because I thought the figure was rather high.

The PRESIDING CHAIRMAN: Wouldn't it follow according to the population of the community? A \$50 prize to some of us may be quite a big prize, whereas for others a \$250 prize would not be very large, for example in some of the larger cities.

Mr. WINCH: You cannot always go by that. The majority of prizes in Vancouver, which is the third largest city in Canada, run around \$250 to \$200

a night; whereas here in Ottawa, which is a lot smaller, but which is the capital city, I see in the advertisements on the streetcars, that the prizes run to \$3,000 and \$4,000 a night. You cannot go by the size of the city at all.

The WITNESS: The size of the prize has to be taken into account. If the prize money is large it will result in a big gambling operation. Certainly I would say that \$1,000 a night in prizes, the maximum under New Jersey law, is a necessary control. And in New Jersey there are cities such as Newark, which is not far from a population of 1 million, and many of the towns are in the Metropolitan New York area.

By Mr. Montgomery:

Q. I would like to ask Mr. Peterson this question—it comes out of my impression of your submission. Do I get the right impression that you believe from the experience which you have had that it is better to have a restrictive law on lotteries and gambling, and that if it is restricted or prohibited, even though it is not fully supported by public opinion, that eventually you think that gambling will become less and less if you keep the law in a prohibitive form?—A. My personal opinion is that you will have a better time controlling it than when you start opening the door here, there and elsewhere. That of course is a matter of opinion. I would not want to appear to be dogmatic. I merely point out what history has reflected. I would say that in New Jersey an effort has been made to maintain adequate controls. But there you have the problem that the people are not satisfied with it. Some municipalities are completely disregarding the laws. The Bingo commission has made specific charges that some cities have openly flouted the law. So they have not eliminated lawlessness. And I am speaking of where there is, in my opinion, a reasonable statute and that sort of thing. There is no easy solution to the whole problem.

Q. In other words, it is impossible to keep commercialism out of it.—A. That has been the experience in the States.

Q. Thank you.

By Mr. Mitchell:

Q. Mr. Montgomery asked the question which I had in mind. I have one more if I may be permitted.—A. Yes.

Q. We had some comment from witnesses in the last session to the effect that gambling itself rather than liquor as is often thought, is the root of all evil, and it is not necessarily liquor which starts you on the downward trend of individual and collective morals.

The PRESIDING CHAIRMAN: I thought it was the love of money which was the root of all evil.

By Mr. Mitchell:

Q. Mr. Peterson came close to saying that today when he spoke of the different attitudes regarding liquor and gambling.—A. I was comparing the difference between the business and the betting. I might confine this portion of my response to your question along this line: I will say that of course you have large numbers of people in the liquor business who are very reputable people; they are dealing in a product and they are selling that product at a decent margin of profit. True, they are catering I presume, in some instances, to people who abuse it. But on the other hand, the business of gambling attracts the underworld. Professional gamblers are not easily conscious stricken. They are in a business of exploitation and the profits are tremendous. And if it is a big-scale operation at all, it is a very big business.

Typifying the gambling business are match books advertising Harold's Place in Reno. They say, in effect, that the man who visits there may have to go home in a barrel without his clothes. What other business would ever advertise to the public in that way: come here and you are likely to lose your shirt?

I would say, of course, that there is a gambling fever, and that gambling has a tendency certainly to demoralize the individual; gambling has an emotional appeal. If a person gambles two or three dollars on something and loses, there are very few people who do not decide: maybe if I get \$3 more and if I gamble that, I will recoup what I have just lost. Of course, that is what causes an awful lot of trouble. I would not try to say that gambling is the root of all evil, or that liquor is the root of all evil.

By Mr. Winch:

Q. To follow that up, at one of our hearings in the last session we had the Chief of Police Association of Canada and I remember the Chief of Police of Hull was quite emphatic that in his estimation gambling was one of the major causes of insecurity and broken homes. Has any study ever been undertaken by your commission or by any other body of which you have knowledge which would give an indication as to the effect of gambling among individuals and in bringing about the situation of insecurity or leading to broken homes in the United States?—A. No, I do not know of any. I think, without any question, that gambling is a very great contributing factor in many situations along that line. However, when you get into the field of human behaviour which is part of this problem, it is very complex. I do not think you can generalize accurately. I would think that gambling is certainly an important factor in breaking up homes.

Let me give you an example of this sort of thing. I do not remember to whom I was talking, whether it was at lunch or at some other time today, but I happened to mention that I know the mayor of one of the larger cities in Illinois who had experienced problems with the effect of gambling on family life. When he went into office, his town had the reputation of being wide open. When he first became mayor he found that every morning his ante-room was practically full of wives, and mothers; a lot of them being relatives of city employees. These women said, in substance: my husband is visiting gambling places here every week and losing all his money. We do not have enough to eat. Why don't you do something about closing up those joints?

He got so sick and tired of these complaints, that he made up his mind to close those places and he did so. And he said, I no longer have my ante-room filled with these people and I no longer receive telephone calls along that line. And I might also mention our own experience. This is of course not statistical and it may not be sound to generalize from specific cases. This may not always give an accurate picture—but I do know, however, that when Chicago was wide open, we used to get complaints almost daily from wives about their husbands having lost all their money in some gambling joint and asking us to force the officials to close the places.

In recent years we almost never get complaints of that kind. So it certainly has a bearing on home life. I do not think there is any question about that. We have had cases where the president of a student council of a high school embezzled money belonging to the student council and lost it in some gambling joint. Gamblers are not too particular where they get their money from.

By Mr. Boisvert:

Q. The questions which were asked lead me to ask another question. Mr. Peterson, would it be true that the appeal you were speaking about with respect to gambling is greater with respect to poor people than to rich people?—A. I do not think there is any question about that because a poor man may feel that if he buys a lucky \$2 ticket or a \$5 ticket, that he will be on easy street. But the irony in that most of the time when the individual does hit the jackpot, it does not do him much good. Take Puerto Rico, for example. The observations down there were to the effect that most of the winners blow their prizes on automobiles, girls, and trips to Europe, and at the end they have nothing.

The PRESIDING CHAIRMAN: Probably less than when they started.

The WITNESS: Oh, yes. There have been cases where winners have bought yachts, and all that sort of stuff. In other words, if they suddenly earn riches, they figure: it did not cost them anything, so they might just as well have a good time while it lasts.

Hon. Mr. FARRIS: Easy come, easy go.

The WITNESS: Isn't it true! Perhaps it has been the experience of you in this room that when you make a small wager and win something, the tendency is that you buy drinks for all, so they may participate.

Mrs. SHIPLEY: Look at the fun!

The WITNESS: That will be true, except in the case of poor people. Getting back to the business of gambling. The attitude of many people is: Oh well, why don't you let the poor man have a chance to gamble by legalizing it. On Chicago's south side a lot of money has been poured into the policy racket by poor people living in poverty and squalor. But the operators of the policy racket live in expensive villas on the Riviera, and in Mexico.

Ed Jones the big policy king in Chicago was convicted of income tax evasion in 1940, a little after the depression days. He had failed to pay his income tax on \$2 million which he made out of his gambling racket.

The PRESIDING CHAIRMAN: You would not call that capital gain, would you?

By Mr. Boisvert:

Q. From the economic viewpoint, would you think that lotteries, or any kind of gambling which could be regimented by law would help either the state or society as a whole?—A. I think it works the other way. From an economic standpoint, in my opinion, lotteries or other gambling enterprises are the most expressive methods of raising revenue and the most costly way from the standpoint of the individual. The old select committee both in England and America said lotteries were a vile tax on the individual. I would say there was a lot of truth in that observation. Look at it from the revenue standpoint. In order to attract people you have to pay out big prizes. People are not going to be attracted if there is only a small prize. So you have to collect a tremendous sum of money in order to gain a relatively small amount of revenue. It is totally uneconomic. And if you do it as they do in Russia, you pay out only a portion of the interest in the form of prize money. Maybe the government is not losing anything, but it is certainly not fair to the people who invest their money. I think it is totally uneconomic, and I could not conceive of any economist stating that it was a sound way in which to raise finances.

Hon. Mr. FARRIS: There is one answer to give to it: we send our money over to the Irish Sweepstakes. Why not keep it here in Canada, if we do not want to let that money go out of the country.

The WITNESS: If you legitimize it here you would not be reducing the amount of money which you would be sending to Ireland, because people would buy both kinds of tickets.

Mr. BOISVERT: That is all, thank you.

The PRESIDING CHAIRMAN: Are there any further questions? If not, Mr. Peterson, I want to thank you very much for your attendance here. We realize that you have come a long distance to be of assistance to us and you have prepared for us a document which I think will be invaluable to us when we come to prepare the report which we will be making to the Senate and to the House of Commons.

The WITNESS: I might leave with you this material which I gave to Mr. Blair, because it may answer a few other questions. I wrote it for "Annals", the political science publication, a year or so ago. It deals with some of the other problems which we did not touch upon. (*See Appendix D.*)

The PRESIDING CHAIRMAN: We certainly do appreciate very much this most helpful, interesting and very valuable contribution which will help us in our deliberations. I know that this document which you have left with us will not only be of help to this committee in its work but will be of help to a great many people throughout Canada in the historical background which you have given and the facts which you have set forth, and it will be helpful to us as members of parliament in our duties generally in representing the people. We thank you very much for your contribution.

The WITNESS: I assure you it has been a pleasure being here. I enjoyed meeting with all of you and I am very grateful if in some small measure I have been of some help to you.

Mr. THOMAS: I wonder if the other two documents could be put in as appendices?

The PRESIDING CHAIRMAN: Is this pamphlet entitled "Obstacles to enforcement of gambling laws" incorporated in your brief, Mr. Peterson?

The WITNESS: There may be portions of it.

The PRESIDING CHAIRMAN: Is it the wish of the committee that this pamphlet be appended?

Mrs. SHIPLEY: The pertinent sections of it.

The PRESIDING CHAIRMAN: The pertinent sections and also the pertinent section of the brochure on embezzlement. Is it agreed that those be incorporated into the minutes of this meeting?

Agreed. (*See Appendices*)

If there is nothing further the meeting will adjourn.

Mr. WINCH: We still have the report of the steering committee.

The PRESIDING CHAIRMAN: We could deal with that.

Mr. WINCH: You mentioned it this morning and that is the reason I am raising it now.

The PRESIDING CHAIRMAN: Shall I read this report of the subcommittee?

Agreed. (*See Minutes of Proceedings for text*)

Mr. WINCH: I move the adoption of the report.

(Seconded by Senator Farris).

Mr. BOISVERT: Mr. Chairman, did the committee receive an answer from the Attorney General of the province of Quebec with respect to paragraph 3 of this report?

The CLERK: Not any answers to the questionnaires, but the committee did receive a communication.

Mr. BOISVERT: All right.

The PRESIDING CHAIRMAN: There is one matter here which I think I should draw to your attention. Probably Senator Farris will have a word to say about this. Some of the other senators feel that they do not want to come back until the 3rd of May.

Hon. Mr. FARRIS: The Senate is adjourning I think until the 3rd of May.

The PRESIDING CHAIRMAN: In that event it will make it difficult for us to carry on some of the meetings of the committee.

Mrs. SHIPLEY: Mr. Chairman, are the rules such that we have to have a quorum of members of both Houses?

The PRESIDING CHAIRMAN: We have to have a quorum of 9 requiring representation from both Houses. In other words, you cannot have a meeting if there are no members from the Senate in attendance.

Mr. WINCH: It appears obvious to me that if we are to get finished with the public hearings by the end of May that we will have to have some meetings in the latter part of April.

The PRESIDING CHAIRMAN: I think you are right.

Mr. BLAIR: We have witnesses tentatively scheduled for April 21, April 26 and April 28.

The PRESIDING CHAIRMAN: I am of the opinion that we could have a meeting without the Senate if the Senate could assure us that they would ratify whatever we did.

Mrs. SHIPLEY: Actually we are only hearing evidence at these meetings.

Mr. WINCH: There would be no conclusions at all.

Hon. Mr. FARRIS: I think you might assume that there would not be any objections as far as absentees are concerned.

The PRESIDING CHAIRMAN: Would you have your law clerks look into this and give us their opinion. Our law clerks have told us that there must be representatives from the Senate otherwise it is not a joint committee.

Mr. BLAIR: I cannot see why we could not sit as a quorum of 9 and report respectively to the joint Houses and if the Senate did not wish to accept our report we would have to deal with that problem if it arose.

Mr. VALOIS: Why not form a subcommittee to hear these witnesses.

The PRESIDING CHAIRMAN: The thing which we are faced with now is on February 2, 1955, on motion of the Hon. Sen. Fergusson, seconded by Mrs. Shipley, it was resolved that the orders of reference with respect to the quorum be interpreted to mean 9 members provided both Houses are represented.

Mrs. SHIPLEY: That was the feeling at the time.

The PRESIDING CHAIRMAN: Could we not go ahead with our meetings. As Mr. Winch points out we are only hearing evidence and not coming to any conclusions. Would it not be as well just to proceed to hear the evidence and if the Senate can be in attendance we will welcome them, but if they cannot be in attendance we will have them read the evidence which we have taken in their absence.

Hon. Mr. FARRIS: I would think that the best way to do it would be at the first meeting after our House is open to have them endorse the evidence taken.

The PRESIDING CHAIRMAN: This report has been moved and seconded. Are there any further comments?

Carried.

APPENDIX "A"

REPORT ON LOTTERIES AND GAMBLING TO JOINT COMMITTEE OF
THE SENATE AND HOUSE OF COMMONS OF CANADA ON
CAPITAL AND CORPORAL PUNISHMENT AND LOTTERIES

By VIRGIL W. PETERSON

*Operating Director
Chicago Crime Commission*

OTTAWA, Canada, March 29, 1955.

An objective study of lotteries should start with an examination of the historical background of this form of gambling.

In the United States, gambling by means of the lottery was legal from early Colonial times until the 1830's. In fact, in 1612 the Virginia Company utilized the lottery to raise funds for organizing its expedition to America. In the early 1700's, lotteries were commonplace in several of the colonies. In 1744 the Rhode Island Assembly authorized a lottery to raise money for building a bridge over the Woboset River at Providence. In New York an act was passed on February 27, 1746, authorizing a lottery to raise funds to fortify New York City. On December 6, 1746, the Colony of New York authorized another lottery to raise 2,250 pounds to be used in founding a college. Columbia University, originally known as King's College, was thus brought into existence. Other famous educational institutions such as Harvard, Yale, Dartmouth and Williams were also financed in part by lotteries. Churches also found the lottery an expedient method of raising necessary money. In 1753 Christ Church in Philadelphia resorted to a lottery to obtain funds needed to build a steeple. During this same period, lotteries were authorized in New Jersey and Connecticut. When Faneuil Hall burned in Boston in 1741, it was rebuilt through money raised by a lottery. Lotteries received the support of such outstanding citizens of the time as Benjamin Franklin, John Hancock and George Washington. They were patronized by almost everyone. In addition to the numerous public lotteries that were authorized by the various colonies, unsanctioned private lotteries were abounding everywhere. Considerable attention was given by the various colonial assemblies to the problem created by the private lotteries. They appeared to be uncontrollable. And the tickets for lotteries authorized in one colony were offered for sale in the other colonies as well. As early as 1762 the Provincial Assembly of Pennsylvania denounced lotteries as a public and common nuisance and declared that they were responsible for "vice, idleness, and immorality, injurious to trade, commerce, and industry; and against the common good, welfare and peace of the province."

In 1776 the Continental Congress proposed a national lottery. The scheme had the endorsement of Thomas Jefferson and other statesmen. Abuses were already commonplace in connection with various lottery promotions. Counterfeit lottery tickets created such a problem that laws with severe penalties were enacted in an effort to curb the practice. In March, 1777, the Rhode Island Assembly passed a law which was designed to prevent fraud in connection with the national lottery proposed by the Continental Congress. This act provided that any person convicted of counterfeiting or forging these lottery tickets could be subjected to suffer the "pains of death without benefit of clergy" and his personal and real property confiscated for the use of the state.

Following the Revolutionary War lottery promotions became more numerous than ever. The new nation was sorely in need of revenue. But as the historian John Bach McMaster observed, "...taxes, the people would not bear." It would have been useless to issue bonds because the government was unable to guarantee the payment of interest. Consequently lotteries were widely utilized to raise money. "Whenever a clumsy bridge was to be thrown across a little stream, a public building enlarged, a school house built, a street paved, a road repaired, a manufacturing company to be aided, a church assisted, or a college treasury replenished, a lottery bill was passed by the legislature." The Pennsylvania Mercury on August 24, 1790, reported that "the lottery mania appears to rage with uncommon violence." Lotteries were flourishing in every part of the nation.

The lottery business was naturally taken over by unscrupulous promoters who resorted to every conceivable method in an effort to incite the "get rich mania" among the people. To the poor man who could not afford the price of a ticket the promoters offered special inducements. Tickets were divided into shares ranging from one eighth to one half. A ticket could even be hired for a particular day at rates as low as 50 cents. Fraud reached scandalous proportions. It became commonplace for lottery offices to sell tickets which had already been drawn and could not possibly win. Newspaper advertisements offered the working man an opportunity to buy lottery insurance. Through this scheme the patron actually wagered that a particular number would be drawn on a designated day. In fact, lottery insurance comprised the major portion of the business of most lottery offices. It appealed to the person of small income, the servant girls, clerks and labourers. As early as 1807 the state of New York enacted legislation to restrain the insurance of lottery tickets because of its evil consequences. Managers of numerous lottery offices were totally untrustworthy. Defalcations were not uncommon. In 1813 an act was passed in New York State requiring lottery managers to post a bond in the sum of \$30,000.

The Society for the Prevention of Pauperism in the city of New York was formed in 1817. It declared that the lottery business was one of the principal causes of poverty in New York City. The time spent in making inquiries regarding the lotteries, "the feverish anxiety that seized on the adventurer from the day he bought his ticket, the depression and disappointment that so invariably followed the drawing, diverted the laborer from his work, weakened his moral tone, consumed his earnings, and soon brought him to pauperism. But worse than the authorized lottery were the self-created lottery insurances, where young and old were enticed to spend little pittances under the delusive expectation of a gain, the chance of which was as low as it was possible to conceive."

The entire lottery business was characterized by fraud. In 1818 Charles H. Baldwin publicly charged that John H. Sickels was resorting to swindling tactics in connection with the drawing of the Medical Science Lottery in New York. Sickles promptly sued Baldwin for libel. Baldwin was acquitted because his charges were proven true. As a result of the disclosures of fraud brought out in Baldwin's trial the New York General Assembly appointed a "Select Committee on Lotteries" which conducted a thorough investigation of the prevailing lottery system. The committee's detailed report, submitted on April 6, 1819, revealed that among other abuses defalcation on the part of three lottery offices had resulted in losses to the state of \$109,144.99. The official report stated that "The foundation of the lottery system is so radically vicious that your committee feel convinced that under no system of regulation that can be devised, will it be possible for this legislature to adopt it as an efficacious source of revenue, and at the same time divest it of all the evils of which it has hitherto proved so baneful a cause . . . The only recommendation of the system of raising money by lottery, is the cheerfulness with which it is paid." On

April 13, 1819, the New York General Assembly enacted additional legislation in an effort to curb the numerous abuses attending the lottery business. Persons who were engaged to draw tickets from the wheels were required to have their arms bared. A 10 year prison sentence was provided for the forgery of lottery tickets. Private lotteries and the issuance of tickets were prohibited. The new legislation however, failed to eliminate the numerous evils which grew out of the lottery business. It was a business which defied control.

Although the lotteries were ostensibly authorized for the purpose of assisting worthy causes and institutions, frequently the professional lottery promoters alone benefited. A special committee of the New York Assembly reported on April 23, 1829, that between 1814 and 1822 the institutions for whose benefit the lotteries were authorized had received less than the interest on the grants made to them. The sum of \$322,256.81 was owing to the several institutions represented in the Literature Lottery, originally established in 1814. Due to fraud and chicanery on the part of lottery operators, and the stimulation of mass gambling with its evil economic and social consequences, lotteries were thoroughly discredited in New York by 1829. The experience in other states was identical with that in the Empire State.

In Rhode Island a report of the General Treasurer at the October 1830 session of the General Assembly reflected that during the preceding three years the sale of over four million dollars' worth of lottery tickets had been authorized. The state received only \$43,516.69—a mere pittance when compared with the \$4,000,000 received by the professional lottery promoters and dealers. In Philadelphia, by 1831 there were 127 lottery offices competing with one another for the poor man's dollar. Unauthorized lotteries were operating without restraint. The records of the insolvent courts bore strong testimony to the economic evils which were resulting from the lottery mania. Hundreds of people were impoverished. In one case, a man lost \$975,000 on lotteries within a period of a few months. A citizens' committee in Philadelphia reported on December 12, 1831, that lotteries were responsible for "an appalling picture of vice and crime, and misery in every varied form . . ." The House of Representatives of Pennsylvania appointed a committee to investigate the lottery system. The official report of this committee clearly indicated that the lottery promoters alone were growing opulent. The intended beneficiaries of the lottery schemes received but a relatively small amount of the millions of dollars donated largely by laborers and clerks in the false hope of winning a prize. Over a period of 18 years lottery schemes of the Union Canal Company totalled \$21,248,891. The Union Canal Company's share of this huge amount was \$405,460 or less than 2 per cent of the sum collected by professional lottery operators. There were indications that in addition to other fraudulent activities promoters sometimes withheld prize winning tickets. The committee expressed the hope that the experience of the state of Pennsylvania with legalized lotteries "would stand as a lofty beacon to warn us of the danger of trusting to any system of finance that is based upon an immoral foundation." The committee trusted "that when this blot is wiped away, the legislative power of the state will never again be allowed to tarnish her fair name to protect her treasury . . ." An act was proposed for the entire abolition of lotteries.

Because of the disastrous consequences attending state authorized lotteries, sentiment was growing everywhere for laws which would prohibit them. A grand jury in New York City made a report on November 12, 1830 that urged the legislature to enact laws at the next session which would put an end to the innumerable train of evils flowing from the state lotteries. The lotteries were described as a system of "cold, calculated, rascally swindling". They had become a "vile tax on the needy and ignorant". Mass gambling had been encouraged until conditions were completely out of hand. The Boston Mercantile Journal compiled figures which established that in 1832 the people in the

eight states of New York, Virginia, Connecticut, Rhode Island, Pennsylvania, Delaware, North Carolina and Maryland spent \$66,420,000 for lottery tickets. This amount represented "five times the sum of the annual expenses of the American government and... nearly three times the whole yearly income." The economy of the entire nation was being disrupted by the dubious lottery business which was flourishing with the sanction of the various state governments. Frauds committed by the operators of legalized lotteries assumed monstrous proportions. Corruption was commonplace. Elaborate advertisements urged the poor and the ignorant to buy lottery tickets to help them obtain "easy money" during "these hard times". The response was enormous. The public was virtually being bled to death financially and the needy and ignorant suffered to the greatest extent. "The lotteries", said Philip Hone, a prominent New York business man of the time, constituted "the most ruinous and disgraceful system of gambling to which our citizens have been exposed."

The ruinous consequences of state authorized lotteries made it imperative for the citizens to take action. The Massachusetts legislature enacted a law which abolished lotteries after February 13, 1833. On April 30, 1833, an act of the New York assembly declared that all lotteries must cease by the end of the year. In Pennsylvania lotteries were abolished on December 1, 1833. By the early part of 1834 similar legislation had been enacted in Ohio, Vermont, Maine, New Jersey, New Hampshire and Illinois. Before long the remaining states took similar action. The evils flowing from the state authorized lottery system had become intolerable. The people, in angry resentment, abolished them. And with the evils fresh in their minds, they not only passed laws making lotteries illegal, they inserted provisions in the constitutions of the various states that were designed to prohibit their legislatures from ever again authorizing a lottery. This is the background and the basis for Section 27, Article IV, of the Illinois State Constitution which provides that "The General Assembly shall have no power to authorize lotteries or gift enterprises for any purpose, and shall pass laws to prohibit the sale of lottery or gift enterprises in this state."

The action of the people in abolishing lotteries was the result of careful deliberation. Throughout a long period of time the various legislatures had enacted law after law designed to eliminate the numerous abuses which persisted in arising from the lottery business. It became apparent, however, that lotteries could not be controlled. In fact, they defied all efforts to control them. The professional gamblers and racketeers alone benefited. The people realized that the revenue received from the lotteries was too high a price to pay for the economic and social ills flowing out of the lottery business. As William Christie MacLeod has observed, "...The great mass of worthy citizens of New York and Massachusetts and Pennsylvania a century ago was opposed to public lotteries, not on abstract ethical grounds, but on the ground that they had become a serious social evil... The campaigners against lotteries were primarily businessmen and professional men who saw around them everywhere the growing menace of the public lottery of the day."

Following the Civil War, conditions were present in the South which made it a good field of operations for professional gamblers. Many of the Southern states were demoralized, their treasuries were empty, their governments were in the hands of carpetbaggers and corruption was commonplace. Many of the inhabitants were impoverished. They entertained but little hope for the future. Many turned to gambling ventures in the hope of gaining wealth easily and rapidly. While great numbers of people did not possess sufficient money to wager at the gaming tables almost everyone could scrape a few pennies together and purchase a lottery ticket. The time was obviously propitious for promoters to launch large scale lottery operations in the South.

An eastern gambling syndicate, C. H. Murray and Company of New York, owned three state lottery charters. The representative of this syndicate in New Orleans was Charles T. Howard, who had been identified with the lottery business in the city for many years. He persuaded the eastern syndicate that the time was ripe to apply for a charter in Louisiana. And his advice was sound. In 1868 the state of Louisiana elected 29 year old Henry Clay Warmoth as governor. Warmoth, a native of Illinois, had established a reputation that strongly recommended him as the leader of the carpetbagger government. He had been dismissed from the Union Army by General Ulysses S. Grant and indicted in Texas for the embezzlement of government cotton. Locating in New Orleans, he became the leader of the Negroes. Among other promises made to his followers, Warmoth assured them of the invention of a machine that would remove black blood from their veins. In its place would be pumped a substance making them white. The Lieutenant Governor of the state was a Negro house painter. Many of the state legislators could neither read nor write. But all of them understood the meaning of money. And the organizers of the Louisiana Lottery paid \$50,000 in bribes to the legislators and state officers in order to assure favorable action on the proposed charter. Needless to state, the legislature authorized the charter and notwithstanding many protests against the lottery, Governor Warmoth signed the bill. The Louisiana Lottery Company was given a charter which became effective January 1, 1869, and was to run for 25 years. The company was exempt from taxation. Following the example of many gambling enterprises it operated under a charity facade. The New Orleans Charity Hospital was to receive \$40,000 annually from the lottery company.

The Louisiana Lottery Company soon learned that although officials of the state government might be ignorant, they were highly expensive. Legislators not only had to be bought, it was necessary to make them stay bought. According to affidavits executed by two of the incorporators, at least \$300,000 was paid in bribes by the lottery company during the first seven years of its existence. Some legislators were given shares of stock in the lottery company as a means of perpetuating their good will. In fact, graft paid to the venal state government reached such proportions that the profits of the company were negligible for the first few years of its existence. At this point Maximilian A. Dauphin, who possessed unusual abilities as a promoter became the manager. To give the lottery respectability he offered General Pierre Gustave Toutant Beauregard and General Jubal A. Early \$30,000 a year each to preside over the public drawings held once each month. General Beauregard had been unsuccessful as a business man but he was an idol of the Creoles. General Early's law practice had proven unprofitable, but his record as a Confederate soldier had endeared him to the South. The selecting of these two popular generals to appear at the public drawings of the lottery proved to be a stroke of genius. Dauphin then embarked on a program of large scale promotional activities. Advertisements were inserted in newspapers throughout the nation. Agencies were established in every section of the country. The Louisiana Lottery Company grew in opulence and power. For 20 years it controlled the state of Louisiana politically. Governors, United States Senators and judges owed their positions to the influence of the lottery company. Under the stimulation of extensive advertising and the presence of lottery offices everywhere, the people of Louisiana poured money into the coffers of the lottery operators. And from every part of the nation about 8,000 letters flowed into New Orleans each day with money for lottery tickets. One third of the business of the New Orleans Post Office was made up of lottery mail. The Louisiana Lottery Company was rolling in wealth. It invested money in sugar refineries, banks, cotton presses and land. When resistance to the lottery began to mount, newspapers were bought in order to assure a friendly press. In 1887 Lafcadio

Hearn, a feature writer on the New Orleans Times Democrat learned that the paper had secretly changed hands and that the Louisiana Lottery Company had purchased the controlling interest. Hearn, who was to become a noted American author, left the New Orleans paper in order to avoid the influence of the lottery company.

With numerous important political figures at its beck and call, with tremendous wealth at its disposal and with newspapers under its control, the Louisiana Lottery Company became increasingly brazen and defiant. When Colonel A. K. McClure, editor of the Philadelphia *Times* exposed the illegal activities of the Louisiana Lottery Company in Pennsylvania, an attempt was made to intimidate him. The editor of the New Orleans *Times-Democrat* invited Colonel McClure to attend the New Orleans exposition. Before McClure could leave his train upon arriving in New Orleans he was served with a U.S. District Court writ in which the lottery company demanded \$100,000 damages for libel. The writ had been issued by Judge Edward Coke Billings, a known friend of the lottery company. Because of his action in this case he became known as "Midnight Order" Billings.

Originally the Louisiana Lottery Company was closely allied with the state carpetbag government in which Negroes held many important positions. Before long, however, it became expedient for the lottery company to become closely identified with those who were ardently advocating "white supremacy." It has been claimed that the Louisiana Lottery Company played an important part in the final outcome of the disputed presidential election in 1876. Many historians agree that the actual victor was the Democratic candidate, Samuel Jones Tilden, although the Republican, Rutherford B. Hayes, was officially named president. The electoral votes of Louisiana were among those upon which the final decision rested. The state Democratic party had embarked on its white supremacy program. Already there was much agitation against the Louisiana Lottery Company because of the social and economic evils that followed in its train. The lottery operators were determined to prevent any unfavorable action which might interfere with its lucrative business in the state. The Louisiana Lottery Company thereupon became a party to an infamous deal that had a direct bearing on the presidential election. Local political leaders agreed to turn over the electoral votes of the state to the Republican candidate, Rutherford B. Hayes, on condition that the Louisiana white Democratic party would be recognized as the victor in the state elections. In order to consummate this arrangement the Louisiana Lottery Company presented the New Orleans political bosses with \$250,000 with the understanding that the lottery company would be granted a new 25 years charter when the next constitutional convention convened. Public sentiment against the lottery company was sufficiently strong that a legislature hostile to it was elected in 1879. The Louisiana Lottery Company propagandized its importance to the financial welfare of the state and with the new lottery charter inseparable from the paramount issue of white supremacy, the immediate future of the lottery became secure. In fact, this victory marked the beginning of the lottery company's most fabulous period of its existence. For many years it was to ruthlessly trample any opposition that dared to raise its head.

Not satisfied with the millions of dollars in profits from the sale of lottery tickets, the Louisiana Lottery Company began large-scale policy operations. The policy game was designed to appeal to the very poor people. The smallest fraction of a lottery ticket that could be purchased cost \$1.00. The lottery company did not intend to overlook those who might not have a dollar but who could scrape together a few cents to invest in the policy game. New Orleans went policy mad. Policy booths were everywhere. Dream books were available to assist the policy player in selecting a lucky number. To play policy, school children stole money from their parents, office boys

embezzled postage stamps, and housewives used money which had been provided to purchase groceries. Local politicians were hired to handle the daily drawings. In connection with its lottery and policy business the Louisiana Lottery Company had hundreds of jobs available. These positions could be secured only upon the recommendation of state legislators or other important politicians. The lottery company had built up a political machine which was able to control the entire state.

Few individuals or companies can stand great power without abusing it. This is particularly true when that power is based on the exploitation of the weaknesses of the poor and ignorant. And the Louisiana Lottery Company overplayed its hand. With an income of \$30,000,000 a year, it had attempted to ride rough shod over every obstacle. It had become intolerable in the state of Louisiana and had spread out until it presented a menace to the national welfare. It maintained a huge bribery fund which was responsible for untold corruption. Because of the growing opposition to the lottery in Louisiana, officers of the company offered to greatly increase its annual payment for charitable purposes. It had been paying \$40,000 a year to the New Orleans Charity Hospital. In April 1890 it offered to pay the state \$1,250,000 annually for charitable and educational purposes in return for a renewal of the lottery charter. A storm broke loose throughout the nation. A dignified law journal wrote: "The Louisiana State Lottery is a nuisance which stinks in the nostrils of the whole nation and the federal constitution ought to be changed so as to vest in the general government a police power to suppress such nuisances."

The President of the United States, Benjamin Harrison, sent a special message to the United States Senate and House of Representatives on July 30, 1890, in which he stated, "The people of all the states are debauched and defrauded . . . The National Capital has become a sub-headquarters of the Louisiana Lottery Company, and its numerous agents and attorneys are conducting here a business involving probably a larger use of the mails than that of any legitimate business enterprise in the District of Columbia . . . The corrupting touch of these agents has been felt by the clerks in the postal service and by some of the police officers of the District. Severe and effectual legislation should be promptly enacted to enable the Post Office Department to purge the mail of all letters, newspapers and circulars relating to the business." The press throughout the country was demanding action against the Louisiana Lottery. National magazines and law journals thundered against its abuses. On September 19, 1890, Congress enacted a law which made it a criminal offence to deposit lottery matter in the United States mails.

In Louisiana, opposition to the lottery had been growing by leaps and bounds. Some of the most distinguished men of the state led the fight to drive the lottery out of existence. Edward Douglas White, a New Orleans lawyer who later became Chief Justice of the United States Supreme Court, gained national prominence for his courageous leadership against the powerful lottery interests. In the state election of 1892, the lottery served as the sole issue in the contest for governor. The Louisiana Lottery Company waged a bitter fight. With unlimited funds at its disposal it resorted to bribery. The New Orleans ward bosses who were owned by the lottery company were dispatched throughout the state to work for the election of its candidate for governor. Paid orators rushed through the state praising the benevolence of the lottery company and explaining the need for the revenue which a renewal of the charter would bring. Above all, the people were told that white supremacy depended upon the continued existence of the Louisiana Lottery Company. Ordinarily these appeals would have been effective. But against these appeals there loomed in the voters' minds an actual experience with the Louisiana Lottery Company covering a quarter of a century. And this experience compelled the great

majority of citizens to go to the polls and vote the lottery out of existence. The Louisiana Lottery Company had become one of the most insidious institutions in the history of the nation. It had corrupted everything it touched and the economic and social evils it caused had become intolerable.

Our experience with legalized lotteries in the United States merely repeated a similar experience in England. From the time the first English lottery was projected in 1566 until 1826, a large amount of revenue for public works was raised through lotteries authorized by Parliament. John Ashton has described the fraud that was perpetrated through dishonest drawings and counterfeiting of lottery tickets. In addition, a system of private lotteries sprung up. In describing a private lottery called "little goes" an article in the *London Times* of July 22, 1795, states: "No man of common sense can suppose that the lottery wheels are fair and honest, or that the proprietors act upon principles anything like honour, or honesty; for, by the art, and contrivance, of the wheels, they are so constructed, with secret springs, and the application of gum, glue, etc., in the internal part of them, that they can draw the numbers out or keep them in, at pleasure, just as it suits their purposes; so that the ensurer, robbed and cajoled, by such unfair means, has not the most distant chance of ever winning; the whole being a gross fraud, and imposition in the extreme . . . bidding defiance to law, and preying upon the vitals of the poor and ignorant . . . proprietors are well-known bad characters, consisting of needy beggars, desperate swindlers, gamblers, sharpers, notorious thieves, and common convicted felons; most of whose names stand recorded in the Newgate Calendar for various offenses of different description."

It was the experience in England that state lotteries encouraged a spirit of gambling injurious to the welfare of the people. The habits of industry were weakened and the permanent sources of public revenue were thereby diminished. Furthermore, lotteries gave rise to other systems of gambling that were even more vicious and dishonest and the repression of which became more difficult. As a result, in the Lottery Act of 1823, Parliament provided for the discontinuance of State Lotteries after the drawing authorized in that act.

After a century had passed, there was again a considerable amount of agitation to legalize lotteries in England. The National Government appointed a Royal Commission in 1932 to make a study of existing laws relating to lotteries, betting and gambling. At the beginning of its study the Commission had a strong feeling that the laws should be changed to permit legal lotteries. "So vociferous had been the agitation on the part of certain groups in the House of Commons, as well as elsewhere, that the Commission approached their examination of this phase of the question feeling that some legislation would be necessary. So conclusive and overwhelming was the evidence, however, that the Commission unanimously concluded that public lotteries are most undesirable and ought not to be legalized." The Royal Commission of 1932 aptly pointed out that it is not always realized that the Acts prohibiting lotteries grew out of the ills that arose when they were legal.

About twenty years later, following the great social and economic upheaval resulting from World War II, a Royal Commission in England took a more lenient view with reference to football pools and similar forms of gambling. For a number of years football pools and off-the-course bookmaking have been legalized in England. This recent experience in England is frequently pointed to by advocates of legalized gambling in the United States. It appears, however, that a number of evils have resulted. At any rate, a report from Britain which appeared in *Forbes, Magazine of Business*, on August 1, 1950 states, "Gambling is unbelievably rampant, particularly among the working classes. Here they have developed gambling on football into big business. 'Pools' of gigantic financial size permeate the United Kingdom... we have nothing like this in the United States..." The article expressed the opinion

that these conditions have affected the welfare of Britain materially, financially and spiritually. Two years later a dispatch from London states, "Britain is spending \$1.8 billion dollars a year on gambling, an army of men and women is employed in the gambling industry when they are needed in production elsewhere, and hundreds of tons of paper are being used for gambling paraphernalia while newspapers have had to be cut to the bone and school children are denied essential books because of the paper shortage." Civic leaders were warning that a danger point had been reached because of the "tremendous place gambling has taken in the peoples' lives."

In connection with some of the other problems arising from big-scale gambling in England, the following paragraph from a recent book written by Scotland Yard's former Detective Superintendent Robert Fabian entitled "London After Dark" may have some interest. Fabian states: "If you are a big London bookmaker, a gambler or black market operator, you will need to know the Hymie Brothers. If somebody owes you money on a gamble, or a shady deal, and you cannot persuade him to pay, it is no use writing to your solicitor. The gambler would plead the Gaming Act... You take your problem to the Hymie Brothers, who are London's most blood curdling debt-collectors. They trade in terror!" He then relates that if the person owing a gambling debt is stubborn "all London becomes like a haunted room. In the silent night streets you go to your car. Its tires are slashed, and suddenly, every tall shadow seems to be Big Hymie. You dare not go to the race track, to the Greyhounds, to wrestling matches, or take a walk alone. It's a battle between you and terror."

Advocates of legalized lotteries frequently refer to the Irish Hospital Sweepstakes. It would appear, however, that a large percentage of the tickets are sold outside of Ireland. Figures for the year 1934, for example, indicated that tickets were sold in 112 countries. Sixty-five per cent of the tickets were purchased in Great Britain, fourteen per cent in the United States, six per cent in Canada, and only seven per cent in Ireland. The remainder, representing eight per cent, was disposed of in 108 other countries.

A few years after the Irish Hospital Sweepstakes started in 1930 a committee of the Irish Parliament declared, "The gambling craze has affected all classes... and the total results are demoralizing, uneconomic, thriftless." The Dublin Mercantile Association complained of "the amount of gambling in the Free State, which diverts both energy and money from industry and commerce, and causes grave disturbances to the public mind." The Catholic Herald commented that "the Irish Free State from end to end... has become a sordid gambling den. The Hospital Sweeps have given an enormous impetus to this accursed business..."

The Loterie Nationale of France was established in 1933 during the depression when the French treasury was in straitened circumstances. Tickets were sold for one hundred francs each and drawings were held monthly. The grand prize was three million francs.

In 1938 the French government abolished its national lottery after a five year trial. The lottery had been authorized to lighten the tax burdens of the people. The French government abolished its national lottery because "its contribution to the national revenue is small; and independently of this, it raises grave moral dangers. . . . Economic recovery presupposes as a first condition that the taste for work and economy should resume its real place, and that improvement in personal situations should not be a matter of hazard alone."

The French national lottery was later re-established and it became a huge promotion. Tickets were sold from booths along the boulevards, counters in subway stations, and it was vigorously advertised. Ticket vendors were everywhere urging the pedestrian to invest his money in the lottery. Each lottery ticket was divided into ten parts in order to permit a customer to purchase as

little as a tenth of a ticket. An article by A. E. Hotchner in the *Cosmopolitan Magazine* in May 1948 stated "In France, the government is always taking the citizens to task for not gambling enough. The way the government looks at it, it is the duty of every Frenchman to invest as much as his loose cash in the Loterie Nationale as his income and wife will allow. This lottery is not just a casual game; it is a national trait. It causes more arguments than politics, attracts bigger and more demonstrative crowds than prize fights and horse races, and is one of the nation's chief home wreckers". The article stated that revenue from the lottery was an important item in the national budget and with the sad state of France's finances no political party would disturb it.

In Russia a lottery scheme is attached to the sale of government bonds. During the last two weeks in October 1954 for example, there were two lottery drawings held in Moscow. At 9.30 a.m. October 31, 1954 all bonds of Series number 39522 for Restoration and Development of the National Economy of the U.S.S.R. were retired. That number was the first drawn in the lottery that ran all day in the auditorium of the Palace of Culture of Metro (subway) Builders in Moscow.

Holders of bonds whose series numbers are drawn in the lottery can go to any savings bank and cash in their certificates at face value. At the drawing on October 31, 1954 the bond owners had held their bonds since 1947. Yet sixty-five per cent, or almost two thirds, of them received only the face value of their bonds with no interest. The remaining thirty-five per cent of the bonds won prizes. The maximum prize was 25,000 rubles worth about \$1,000 and there were other prizes ranging from the maximum downward to 1,000 rubles worth about \$250. (The value of the ruble to the Soviet consumer is actually much less than twenty-five cents. A person winning a prize of 16,000 rubles can buy a Pobeda automobile and one winning 3,400 rubles can buy a twelve-inch television set.)

The gimmick of a possible lottery prize is used to lure money from the people of Russia. Although the people thus loan money to their government and receive bonds in return about two thirds of them receive only the original amount of their bond without any interest. This is true notwithstanding the fact that the government may have used the money for a period ranging from five to twenty years.

The history of lotteries goes back many centuries. Almost every nation at one time or another has authorized lotteries. Usually the abuses have been so great that prohibitory legislation has resulted. In an article by William E. Treadway in the *American Bar Association Journal*, May 1949, it is stated that "Of all sumptuary legislation enacted in the United States, the various state and federal statutes tending to outlaw traffic in lotteries perhaps have withstood both frontal assault and flank violation for the longest time."

From time to time efforts have been made in various states of the United States to legalize such gambling games as Bingo.

Bingo became very popular in the United States during the depression in the 1930's. It was during this same period that it flourished in London under the name "housey housey". It is claimed that Bingo originated in Italy centuries ago. In Europe the game was known as Lotto and over a century ago it raged in New Orleans under the name of Keno. In 1848 the New Orleans authorities issued licenses to Keno and Rondo gambling establishments. As a result of the city's policy to license such establishments, New Orleans was deluged with these places by 1850. One historian states that "so many dives were opened that after a few years it became necessary to suppress them as nuisances, and they were officially prohibited by an ordinance enacted in 1852."

In the early 1930's the game of Keno, then known as Beano and later as bingo, was used as an inducement to attract patronage to moving picture theatres. The inevitable result was the showing of inferior pictures, a cheaper

product, since the theatres were patronized largely by persons who were primarily interested in winning a prize. In most places the courts held that gambling games in theatres to attract patrons are in violation of state constitutions and laws prohibiting lotteries. Regardless of the legal aspects of such promotional schemes, however, Better Business Bureaus in America have vigorously opposed the use of any gambling device as a trade stimulant. This position is based on the sound principle that such trade stimulants always result in pawning off inferior products at prices beyond their true value and customers fail to judge merchandise on its merits but on the possibility of winning a prize. This means relatively higher prices for poor quality goods. It destroys the incentive on the part of business men to offer high grade merchandise at the lowest possible prices, the natural result of a true competitive system. In other words, the use of gambling devices as trade stimulants works to the disadvantage of the customer and the legitimate business man as well.

It was during the 1930's that a great impetus was given to the game of Bingo or Beano as a means of raising money for churches. In Massachusetts, for example, licenses were issued to charitable and religious organizations to conduct Beano games for the purpose of raising funds. In August 1936, the mayor of Boston summarily revoked every license in the city stating, "The Beano craze is growing too rapidly for the good of the city and its citizens." Professional promoters were fully exploiting the Massachusetts law which permitted Beano games for church and charitable causes. In August 1936 the mayor of Lawrence, Massachusetts determined that since the beginning of the year Beano parties had raised \$32,000 for charity. Yet only \$700 of the \$32,000 had been turned over to charity. In Worcester, Massachusetts a church sponsored a \$550,000 state-wide Beano drive. The promoters failed to turn over one cent to the church and a Federal investigation was initiated. Several persons connected with the promotion were arrested. It was determined that professional gambling promoters had taken advantage of the Massachusetts law by establishing numerous dummy charities after which they engaged in huge commercial gambling enterprises.

In most states in America the game of Bingo is illegal. This is true even though the purported cause is to raise money for charitable or religious purposes. The alleged charitable or religious cause, however, frequently results in very feeble efforts to invoke the law in such cases. It has been virtually impossible to keep the professional racketeering element out of big scale gambling operations even when the purpose involves the raising of money for a worthy cause. This problem has been commonplace whether the gambling operation consists of Bingo or a church carnival. In fact, an elderly man who has been affiliated with the carnival business for a half century informed me that a syndicate, the members of which are closely allied with notorious hoodlums, handles virtually all church and "worthy cause" carnivals in a large section of Cook County, Illinois, the county seat of which is Chicago. These men are professional promoters and make big money from the operation of gambling games designed to raise funds for religious or charitable organizations.

A few years ago a huge Bingo game was operating in Chicago allegedly for the purpose of raising money for a boys' club. The alderman of the ward in which the game was operating was said to have sanctioned it. Each night the hall was packed. Chicago newspapers exposed the game and the connection of a member of the City Council with its operation. It was determined that some of the operators were professional gamblers who also were on the payroll of the city. The exact benefits, if any, the boys' club derived from the Bingo game were doubtful. In commenting on this affair, an editorial in the Chicago Daily News, December 19, 1949 stated: "The practice has been to permit bingo where the profits, or a substantial part of them, are assigned to worthy charity. Inevitably, less worthy causes squeeze under this immunity blanket, and

promoters and racketeers search for philanthropies which will lend the respectability of their name in return for a portion, often trifling of the proceeds." In America, notorious racketeers often use the charity "gimmick" to enable them to operate gambling games with impunity and to gain the support of citizens and organizations who would otherwise oppose them.

In recent years there has been agitation in a number of places in the United States to legalize Bingo for charitable or religious causes. This agitation increased after New Jersey passed legislation of this nature which went into effect in April, 1954. Bingo was an issue in the state elections of New York in November 1954. Both Republican and Democratic candidates for governor pledged that they would enact legislation which would refer the Bingo question to the people on a referendum. In the November 1954 elections in Michigan the people went to the polls and voted on a proposal designed to legalize Bingo for charitable or religious purposes. The proposal was defeated and Bingo thus remains illegal in Michigan. In Illinois there has been some agitation on the part of tavern owners to legalize Bingo as a means of increasing the sale of beer and liquor. The August 1954 issue of the *Licensed Beverage News* published in Chicago, Illinois carried a headline: "Why Not Bingo Here?" An article in the same issue stated "Raffles and Bingo have been legalized in New Jersey after the people were given the opportunity to vote on the question of legalizing such games. Now, we understand, business has been booming for tavern owners in New Jersey despite a ruling they cannot sell liquor while a raffle or bingo game is in progress." The article suggested that each tavern post signs for the purpose of arousing public opinion in behalf of proposals to legalize Bingo.

Of course, whether Bingo is legal or illegal, the games will be patronized by a certain number of persons who are actually gambling addicts. In an article in the *New York Times*, October 13, 1954, Edith Evans Asbury stated: "Not all players are addicts, of course. But the Bingo addict is no myth. She can be seen in New York and in New Jersey. She can be spotted by her gear, a cardboard box containing little plaster markers with which to cover the numbers; her crayon with which to cross out the numbers of 'specials' or extra games; paper clips or cellophane tape with which to attach the paper diagrams used in the extra games to her regular bingo boards; cigarettes and matches. She arrives early and stands in line before the doors open. She plays six, eight, ten and sometimes more boards at the same time, not just the two boards she receives when she pays her admission fee." The number of bingo addicts is not small. Some housewives wager substantial amounts of money night after night and there have been instances where the resulting neglect of family responsibilities has contributed to the delinquency of children.

In addition to the attraction of pathological gamblers, Bingo games also naturally lure the frauds and the cheats. In New York, for example, a group of about thirty men and women called "Bingo Busters" has defrauded church bingo games out of thousands of dollars. Each member of this group attends a Bingo game with equipment which enables him to match that used in that particular game, i.e., a large number of slips of paper printed with numbers from 1 to 75, of various sizes and colours and glued on the back just like postage stamps. The stamps are arranged in pochettes which he places in his pocket in such a manner that he can locate any number without removing the pochette. Before going to a game he loads the pochettes with stamps which match the cards used by that particular church or other organization he expects to cheat. Usually he plays several games honestly until a big prize is offered. He then pulls out the stamps with the numbers needed to win, licks them and sticks them on. The fraud is seldom detected and the Bingo Busters have made large sums of money over a long period of time through their cheating scheme.

Many advocates of legalized Bingo for worthy causes point to the state of New Jersey and its Legalized Games of Chance Control Commission as a sane and sensible solution to this problem. Actually, the New Jersey law has been in effect only since April 1954, about one year. Naturally this period is entirely too short to make it possible to accurately appraise the effectiveness of the New Jersey law. It has been apparent, however, that the law has far from solved the problem and whether adequate controls can be maintained appears very doubtful.

Under the New Jersey law there was established a Legalized Games of Chance Control Commission, popularly known as the Bingo Commission. The commission is composed of five non-salaried commissioners representing both Republican and Democratic parties on a three-two ratio. A budget of \$250,000 was allotted for its first year of operation. The commission is charged with the responsibility of regulating raffles and bingo games, conducting investigations into the operation of games, and promulgating needed rules and regulations. The New Jersey law limits bingo and raffle licenses to "bona fide veterans, charitable, educational, religious or fraternal groups or first aid, volunteer firemen or rescue squads." Political organizations cannot obtain Bingo licenses. In an effort to prevent racketeer control over Bingo game operations, the New Jersey law provides that only active, unpaid members of an organization can run games for it and no one is permitted to operate bingo games for more than one organization during a year. Likewise in order to prevent over-commercialization with its inevitable racketeer control, prizes are limited to \$1,000 a night with a limit of \$250 on any single game. Also banned under the New Jersey law are chartered buses, advertising, free sandwiches, door prizes and the rental of Bingo equipment. Racketeers, in the past, have succeeded in taking over a large share of the profits through the rental of Bingo equipment. The New Jersey law is intended to prevent that evil from occurring by requiring each organization either to purchase or borrow the Bingo equipment. Admission prices to Bingo games are limited to one dollar for regular games and an additional dollar for each special game.

It is a well known fact that the racketeering and criminal elements will always take over lucrative gambling operations even though the purported cause is for charity or religion. Hence, the New Jersey law provided controls that are absolutely essential if there is to be any hope of preventing racketeer infiltration or control of licensed Bingo games. In fact, the governor of New Jersey appointed a committee of nine outstanding lawyers to draft a bingo-raffles law that would specifically "protect the game from invasion by professional gamblers and other undesirable types." Out of 536 municipalities, only thirteen towns voted against permitting Bingo games under the new law and only eighteen towns voted against raffles.

In April 1954 Arthur A. Weller, thirty years a police official in New Jersey, was appointed as executive director of the five-member Legalized Games of Chance Control Commission of New Jersey at a salary of \$10,000 a year. On January 22, 1955, Weller stated that during the first eight months the legalized Bingo law had been in effect he had experienced more headaches than in thirty years as a police officer. However, he said that based on the evidence of the first eight months of operation legalized Bingo "definitely can be controlled." The big fear, he maintained is the danger that raffles may get out of hand if the Legislature relaxes its present regulations. He revealed that since the New Jersey law went into effect there were 11,117 Bingo games licensed between April and December 1954 with receipts totaling \$6,754,519 and during the same period 2,305 raffles were licensed with receipts totaling \$1,892,882. Weller stated that the gangster element "sits up nights" trying to figure a

way to get part of this huge take. Weller asserted that the present law in New Jersey "is strong—it knots up everything." He said, "I don't know of any loopholes."

Just three weeks later, however, Arthur A. Weller in a public speech on February 11, 1955 advised that racketeers had begun to move in on legalized games of chance (Bingo and Raffles) and were getting as much as fifty per cent of the receipts of such games. The racketeers' foothold was gained through a loophole in the law that left the renting of halls uncontrolled. Racketeers, some of whom apparently were from another state, had purchased halls in which Bingo games were being held. They then rented the halls for legalized Bingo games on the basis that they (the racketeers) would receive fifty per cent of the receipts. In a report submitted to Governor Robert B. Meyner of New Jersey by the Bingo Commission on March 21, 1955 information was set forth concerning the Passaic Auditorium Company which operated a bingo hall at 19-31 Henry Street, Passaic, New Jersey. This company received \$15,643 in rents and janitor fees, for eighty-three games while the charitable or religious organizations conducting the Bingo games netted only \$14,721. The report asserted that the management of the hall required the sponsoring organization to offer the maximum amount of prizes of \$1,000 a night even though this entailed losing money. On one occasion a veterans' organization borrowed money from the operator of the hall to pay the prizes. The veterans' organization suffered a loss of \$339 while the hall received \$215 in rent and janitors' fees.

The legal controls that were adopted in New Jersey to protect the public from exploitation by the racketeering elements have met with vigorous opposition or blandly ignored. Competent observers, such as John R. McDowell of the Newark, New Jersey Star—Ledger, have stated that legalized Bingo in New Jersey "now promises to become a more explosive issue than it ever was in its illegal days." Pressure is being exerted by powerful local and state-wide organizations to relax the controls. Mayor Bernard J. Berry of Jersey City has demanded unlimited advertising of games, legalization of off-premises 50-50 clubs for cash prizes, authorization to charter buses to haul patrons to the games and raising the limit of prizes allowed in raffles. In other words, he urges the removal of the regulations which make any kind of adequate control possible. And his point of view is shared by many influential persons and organizations in the state. An editorial in the Newark, New Jersey News of December 7, 1954 stated: "The State Bingo Raffles Commission charges that Jersey City officials have made little attempt to enforce the bingo and raffles law, a complaint that it has leveled at other communities... What is wrong in Jersey City and other municipalities is negligence and non-feasance and this would not be changed by bigger and more varied prizes, paid personnel, more advertising, bus transportation to games and the other things which have been demanded." An earlier editorial in the Newark, New Jersey Ledger on September 11, 1954 observed that "There are complaints now from the very people who were supposed to be helped by the bingo law—charitable, religious, fraternal and services organizations which raise funds for their worthwhile work through bingo games. They say the prizes permitted by the state bingo commission are too small to attract big crowds which used to come when the game was illegal. Profits as a result dwindle." In addition to the demands for larger prizes, there has been developed pressure for laws which will permit advertising on television, radios and in newspapers, the operation of chartered buses and hiring professional managers and bookkeepers to operate the Bingo games. Demands are also made to remove the regulation which requires cash raffle tickets to be sold only on the premises and to promulgate regulations which will enable organizations to sell such tickets anywhere it pleases. In some instances there have been open defiances of the regulations and this

defiance has sometimes persisted even when the offender has been called before the commission and found guilty of violating the law. Some municipalities have been charged by the commission with permitting organizations to operate Bingo games in violation of the law. Democratic Senator Bernard W. Vogel publicly charged that "Repeated complaints by participating organizations indicate the administration of the law has caused great confusion, chaos and considerable expense."

The governor of New Jersey and the State-Bingo-Raffles Commission are unquestionably right in assuming that if present regulations are weakened the door will be open for big-time gambling operations and their eventual control by underworld elements. But with the refusal of some municipalities to enforce existing regulations coupled with the terrific pressure which is being exerted to force a relaxation of the law, it would appear doubtful if adequate controls can be maintained for any appreciable length of time. Of course the brief experience with the New Jersey law makes it impossible to arrive at definite conclusions in this regard. It does appear quite evident, however, that New Jersey has far from solved its Bingo problem through its legalization scheme.

The present agitation in New York to legalize Bingo has received great impetus from the New Jersey experiment. On March 13, 1955 Representative Fino of the New York legislature who is strongly urging the legalization of Bingo in New York stated, "Do we need any further proof that we have received in New Jersey? How foolish can we get?" Several months earlier an editorial appearing in the Newark, New Jersey *Sun News* on September 12, 1954 indicated that the solution is not quite so simple. Said this editorial: "There are demands that New York do as New Jersey did—legalize the darn thing and then all the trouble will be over. That hollow laugh you hear on the right comes from the harassed members of the New Jersey's State Bingo-Raffles Commission. That is what they heard last year in New Jersey's campaign for governor. Now look."

In attempting to formulate legislation on lotteries, bingo, and other forms of gambling there are certain principles which should be kept in mind.

Widespread or mass gambling is harmful and detrimental to the public welfare. History has clearly reflected the truth of this statement. The poor man and the members of his family usually suffer the most from the presence of mass gambling. Laborers, for example, who lose money to professional gamblers have less "take home" pay and their living standards are lowered. Outstanding labor leaders, such as Walter P. Reuther of the United Auto Workers Union, have consequently fought commercialized gambling in industrial plants because of its evil effects on the working man and his family. J. Ramsay MacDonald, the former prime minister of Great Britain and one of England's great labor leaders stated, "To hope, for instance, that a labor party can be built up in a population quivering from an indulgence in games of hazard is folly."

Commercialized gambling is highly lucrative and history shows that in the United States the racketeering and underworld elements invariably gain control over it.

In the United States there have developed alliances between the underworld in control of gambling and political organizations or leaders resulting in the corruption of government generally and law enforcement in particular.

Gambling as a business is entirely parasitic in nature. It exploits human weaknesses on a basis which makes it impossible for the professional gambler to lose and impossible for the patron as a class to win. The "house percentage" makes this result inevitable even though the games are operated honestly. And swindling and fraudulent methods have been commonplace in commercialized gambling operations. At the turn of this century an internationally famous political economist and former president of Yale University, Arthur

Twining Hadley, referred to professional gamblers as "worse than a parasite on society." And, said Hadley, "the more enlightened the community, the more decided is the moral disapproval, and the more persistent are the attempts to enforce legal prohibitions of lotteries, policy shops and bookmaking establishments."

All legislation, whether restrictive or prohibitory, should have for its purpose the control of gambling in the public interest.

A permissive statute should never be tied to a revenue measure. If commercialized gambling is authorized as a means of raising revenue it eventually results in a virtual removal of all adequate controls. Governments, state or national, never get enough revenue and once the policy is adopted of raising revenue through gambling licenses it becomes expedient to encourage more and more gambling places to obtain more and more revenue.

The history of most legalization schemes in the United States reflects that they resulted eventually in the removal of all adequate controls. And much legislation which prohibits gambling grew out of abuses which became prevalent when gambling was legal.

The gambling problem has existed since ancient times in all parts of the world. There is no easy solution. Usually efforts to solve the problem go in cycles—legislation, intolerable abuses leading to prohibitory legislation, poor enforcement coupled with the desire for easy revenue, and a renewal of legalization schemes.

APPENDIX B

ECONOMIC EFFECTS OF GAMBLING

Although the number of persons who commit embezzlement or some other offence as a result of gambling is entirely too large, it is true that most of the people who gamble do not become criminals. The evil effects of widespread gambling, however, are by no means limited to crime. Whenever the gambling habit takes hold of a large number of people the will to work is gone, money that should be spent for food and clothing goes to the hoodlums who control gambling, creditors are unable to collect money due them, business declines and, in general, the poor people suffer the most because they can least afford to lose. Several years ago a sociologist wrote that society properly bans the person who operates gambling "because he creates no values and breaks down good habits. Once the something-for-nothing itch seizes upon it a people loses heart for industry and saving, while all the parasitisms—theft, swindling, fraud, extortion, graft, vice-catering, imposture—flourish with a tropical luxuriance."

During World War II there was an extreme labor shortage in England. Efforts were made to place every available man and woman in some factory that was engaged in the manufacture of war products. Notwithstanding this fact, bookmakers were not included in the labor draft. Ernest Bevin, Minister of Labor and National Service in the War cabinet, explained that if bookmakers were brought into factories they would create greater waste than the little good they might accomplish. Undoubtedly he knew that professional gamblers are all parasites. Instead of manning their factory machines they would continue to sell football pool tickets or chances on horse races among the factory workers. The laborers in turn would waste so much plant time pondering over football pools or other forms of gambling that efficiency in the plant would be seriously affected. And Britain was then in dire circumstances and her very life depended upon maximum efficiency. Bevin's decision against bringing the professional gamblers into war plants was undoubtedly a wise one and it also gives a good idea of the parasitic nature of gamblers. They will not work. Their interest lies only in the easy money they can obtain by inducing others to wager.

In the United States the draft in World War II drove thousands of bookmakers, number writers and other professional gamblers into defense plants. Many of them were representatives of criminal groups or syndicates that control gambling in this country and they promptly began to exploit the factory worker. They maneuvered numbers writers or bookmakers into positions which enabled them to have the run of large sections of the plant. And it was discovered that as soon as numbers writers or bookmakers began operating in a particular department of a plant, production promptly fell off. Workers neglected their duties while they pondered over dream books which were sold to aid them in picking "lucky" numbers, or studied form sheets in order to bet on a winning horse. Generally the lucky number was not lucky and the winning horse did not win. Wives bitterly complained to plant and union officials alike about the decrease in their husbands' pay checks. The decrease actually represented gambling losses which in turn went to racketeers. Intelligent labor leaders, such as Walter P. Reuther, began a vigorous fight against the gambling racketeers who had invaded the plants and in some instances had maneuvered themselves into key union positions. Some union officials, such as shop stewards, who were gambling syndicate representatives held a club over the heads of workers who had become indebted to them for gambling losses. These men were forced to work in their behalf in local union elections giving the gambling racketeers a voice in the management of union affairs. In one case a

shop steward was discharged when he persisted in his bookmaking activities. A strike was called in protest and the case went to the New York State Board of Mediation which upheld the shop steward's dismissal stating "The arbitrator is not concerned with the morals of gambling but he would be remiss in his duty if he did not point out that gambling under the circumstances in the company's plant seriously interfered with production because the men diverted their attention partially from the job at hand . . ." Production in the plant increased about twenty-five per cent following the shop steward's dismissal. In another plant over fifty workers were actually spending much of their time as numbers writers for a gambling syndicate. They were caught and turned over to the authorities for prosecution.

The detrimental effects of gambling upon legitimate business have been demonstrated time and time again. A survey made by chambers of commerce in Pennsylvania, for example, established that when slot machines became prevalent in any community business declined and bills went unpaid. A businessmen's association in one city bought radio time and went on the air demanding that slot machines be cleaned out of the community. This was not the clamor of reformers but the action of so-called "hard headed" businessmen who found that large numbers of wage earners were losing their money in slot machines instead of spending it in stores for food, clothing and other necessities.

Several years ago the Numbers game was being promoted by racketeers in certain sections of the District of Columbia and Middle Atlantic states. A highly reputable insurance company which operated in that area went into receivership. One of the officials of the company said "Most of the people we insure are the every-day wage earners who want to protect themselves in case of illness and want something to bury themselves with. Their policies call for ten or fifteen cents a week, collected weekly. Over a period of several months the number of people who allowed their insurance to lapse was tremendous. People who needed the security provided them by insurance threw it away in ance was being paid out in numbers." The results in this case are typical. People who needed the security provided them by insurance threw it away in the false hope of winning a rich prize from the numbers game. Only the numbers racketeers profited.

People in the lowest income bracket are always easy prey for professional gamblers. The hope of getting "something for nothing" appeals most strongly to those who have little in the way of luxuries. But the prizes dangled as bait before their eyes are illusory. Virtually none of the patrons of gambling schemes profit. And the money that should be used for clothing and food, or put away for a "rainy day" is squandered with the criminals who control all types of gambling operations. When lotteries were legal in America it was the poor people who suffered the most. It was this suffering coupled with scandalous fraud and corruption that caused the public to become thoroughly disgusted with licensed lotteries. In the public interest they passed laws prohibiting the legislatures from ever again granting licenses to operate such gambling schemes.

The effects of widespread gambling are quite similar everywhere but in America the results are more serious than in most countries. In a scholarly research study into "The Nature of Gambling" David D. Allen concludes that "While gambling everywhere is attended by disruption, in America especially this disruption takes an unusually violent form. Graft, murder, larceny, are regular and recurrent results of gambling operations, and gambling is inextricably entwined with crime. Individually gambling has caused the ruin of persons and families that wouldn't have occurred in the absence of gambling participation. Socially, gambling has caused gang wars, theft, murder, and graft. These occurrences are too frequent and regular to be shrugged off as isolated instances that are 'bound to happen'."

APPENDIX C

EXTRACTS FROM "THE EMBEZZLER—Why Honest People Steal"
by Virgil W. Peterson, Operating Director, Chicago Crime Commission.

THE EMBEZZLER

For eleven years he had been a model employee. His faithful attention to duty won him the respect of his employer and steady promotions. Never had his honesty been under suspicion by his employer. His office associates regarded him highly, yet in the twelfth year of employment, the auditor's report reflected his accounts were short in an amount exceeding \$9,000.00. His employer was shocked. The attitude of his fellow workers was one of unbelieving amazement. Prison and disgrace were the concluding chapters of this man's career.

The above case does not represent an unusual embezzlement offense. On the contrary, court records and newspaper morgues are filled with similar episodes. Millions of dollars are lost annually by business concerns through the embezzlement of funds by trusted employees. Many prosperous commercial enterprises have suddenly failed through the dishonesty of those in whom unlimited trust was placed.

The embezzler is an anomaly in the field of crime. Previous arrest or prison records are frequently wanting to act as warnings of possible dishonest conduct. Steady work records many times conceal the instability that may be present in the person's make-up. Yet, there is usually an explanation for the embezzler's conduct. And through an understanding by employers of some of the factors that frequently contribute to embezzlement, it is believed that business losses as well as the crime of embezzlement can be materially reduced.

In view of the frequency of embezzlement cases involving losses of large sums of money, the Chicago Crime Commission has attempted to determine some of the factors that contribute directly or indirectly to the offense of embezzlement. In this connection it was felt that surety companies are the best source of accurate information in view of their long and vital experience with this problem. The Chicago Crime Commission communicated with surety companies in every part of the United States and requested them to rank in order of their importance those factors that appear to cause employees to embezzle or steal from their employers. Replies were received from over twenty approved surety companies and fidelity bond departments of insurance companies located in various parts of the United States. These companies engage in business in every state of the Union, Canada and foreign nations. An analysis of these replies would indicate that the factors that are most frequently present in embezzlement cases are:

- (1) Gambling
- (2) Extravagant living standards
- (3) Unusual family expense
- (4) Undesirable associates
- (5) Inadequate income

The need, and thus the motive to commit embezzlement, is created by one or more of these factors as well as others, and the embezzlement is made possible through lax accounting methods and improper or inadequate supervision over employees having custody of funds. A summary of the information obtained from the various surety companies follows in the hope that it may assist employers in the reduction of employee dishonesty and thereby diminish the frequency of the crime of embezzlement.

GAMBLING

Based on the experience of over twenty of the largest surety companies, it would appear that the two principal factors contributing to employee dishonesty are gambling and extravagant living standards. Some companies estimated that gambling on the part of employees has been responsible for 30% of the losses of those companies. Other companies blamed gambling for as high as 75% of their total losses. The manager of the bonding department of one company wrote, "Gambling is one of the greatest evils sureties must contend with under their fidelity bonds." Another manager stated that "Gambling appears in more embezzlements than any of the other causes." The secretary of one large company, based on the experience of 100,000 case histories, placed gambling next to extravagant living standards as the most important factor in causing embezzlement of funds by employees in connection with losses of \$5,000 or over. The same company expressed the opinion that with reference to the smaller losses, i.e., under \$5,000, gambling ranked third as the cause of employee dishonesty. Gambling was said to be responsible for about 15% of the smaller losses while it caused approximately 25% of the larger losses. Several other companies likewise differentiated between embezzlements in small amounts and large losses. One surety manager wrote, "Gambling is probably the greatest single contributing factor that we know of and this is particularly true with claims of large size."

Several years ago the United States Fidelity and Guaranty Company, Baltimore, Maryland, published an excellent booklet entitled "1,001 Embezzlers—A Study of Defalcations in Business." In a statistical analysis of mercantile embezzlements committed by 963 men involving losses totalling \$6,127,588.48, "gambling and/or drink" was listed as the most frequent cause of defalcation. Ranking next in importance was "living above their means" followed by "accumulation of debts," "bad business managers," "women," and "speculation." "Gambling and/or drink" and "speculation" were responsible for 26.3% of the embezzlement offenses under study.

One surety company stated that "Gambling losses in large amounts are more frequent now than ten years ago." This is the natural consequence of the growth of gambling in America during the last decade. The upward surge of gambling since World War II ended undoubtedly adds to the hazard of embezzlement in business today.

Almost every type of gambling has been responsible for employee dishonesty including horse race betting at the tracks and at handbooks, dice, roulette, slot machine, black jack and many other forms of gaming as well as stock market speculation. In recent years, however, wagering on race horses has been the most prevalent type of gambling that has been involved in embezzlements attributed to gambling. One large bank embezzler was referred to as a "super sucker" in connection with gambling on race horses at various handbooks. On some days when as many as 16 race tracks were operating, he would place bets on horses running at each of the 16 tracks and frequently on more than one horse in a race. This case received nationwide publicity.

Some surety companies expressed the opinion that while a large portion of stolen funds involved in their losses is used in gambling, that gambling itself is not the primary cause of the embezzlement. On the other hand it was suggested that many times the employee may feel the impact of a sudden financial strain such as illness in the family and embezzlement may follow. The employee may then resort to gambling to recoup his losses. He inevitably loses. The vicious cycle then begins. Additional money is stolen in the hope that luck may enable the embezzler to make one big "killing" on the horses or at the roulette wheel which will enable him to pay back all the money he has surreptitiously "borrowed." As his losses mount, the need to win becomes more and

more acute. He becomes reckless to a greater degree than ever and his chances of winning accordingly decrease. His situation eventually becomes hopeless. Disgrace and prison or suicide almost inevitably result.

Regardless of whether gambling is the direct or indirect cause of employee dishonesty, it is one of the most important factors contributing to embezzlement. It is commonly agreed among surety company officials that a person who is addicted to the gambling habit is a poor risk for any position which places in his care the funds of his employer. So well recognized is this risk that no fidelity bond underwriter would knowingly approve a bond for a gambler.

APPENDIX D

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OBSTACLES TO ENFORCEMENT OF GAMBLING LAWS

By VIRGIL W. PETERSON

The laws prohibiting gambling are poorly enforced in most parts of the Nation. A report on the administration of justice in Cincinnati, Ohio flatly stated, "Several judges refuse to enforce the gambling laws." Many of the defendants found guilty were not required to pay either a fine or court costs, and jail sentences were virtually never imposed.¹ During one period studied in Chicago, of 5,585 persons arrested on charges of gambling, 5,023 were discharged without any penalty having been assessed against them. For the few defendants found guilty, the average fine was \$15.25. There were no jail or penitentiary sentences. An employee of one notorious gambling establishment was arrested four times within a short period. Once he was fined \$10, and on his fourth court appearance the judge assessed a penalty of \$15. There was a total absence of sincerity on the part of either the police or the judges in attempting to enforce the gambling laws.² Similar conditions prevail in numerous sections of the country.

Two factors are thought to contribute substantially to prevalent nonenforcement of the gambling laws. In the first place, it has been said that there has been developed in America a tradition of lawbreaking. Any attempt to ascertain the basis for general laxity in the enforcement of the antigambling laws without considering public attitudes toward numerous other legislative enactments is unrealistic and will result in erroneous conclusions. In the second place, the tremendous importance of gambling as a source of political power has frequently made it possible for the gambling interests to dictate local law enforcement policies.

AMERICAN LAWBREAKING TRADITIONS

It is sometimes erroneously assumed that it is only with reference to statutes prohibiting gambling and similar activities that there is a widespread disregard for law. History rebuts that premise. Ever since colonial times, the American people have developed a tradition of lawbreaking in many areas of behavior.³ In many places prohibitions against dueling were unenforceable, in spite of stringent provisions regarding it in numerous state constitutions.⁴ Just before the turn of the century there were sections of the country in which homicide was so commonplace that it was hardly considered a crime. In certain portions of Kentucky, Virginia, and Tennessee, the authorities were helpless to prevent countless murders resulting from family feuds which continued from generation to generation.

In some states, notably Missouri, Arkansas, and Texas, robbery was commonplace, and the sympathy of the populace was with the bandits. There were sections of the West where railways and roads were infested with brigands, and the laws prohibiting robbery were virtually unenforceable. In

¹ Charles O. Porter, "Defects in the Administration of Justice in Hamilton County (Cincinnati) Ohio", *Journal of the American Judicature Society*, Vol. 32 (June 1948), pp. 14-22.

² "Racket Court Analysis—Dual Responsibility of Police and Judges in Law Enforcement", *Criminal Justice* (Journal of the Chicago Crime Commission), Number 72 (May 1945), pp. 7, 8, 16.

³ See Arthur M. Schlesinger, *Paths to the Present* (New York: The Macmillan Co., 1949), especially p. 15; Dixon Wecter, *When Johnny Comes Marching Home* (Boston: Houghton Mifflin Co., 1944), pp. 75, 76.

⁴ See Marquis James, *The Life of Andrew Jackson* (Garden City, N. Y.: Garden City Publishing Co., 1940), p. 115; James Bryce, *The American Commonwealth*, 3rd ed (New York: The Macmillan Co., 1898), Vol. I, pp. 461, 462.

1881 Mr. E. J. Phelps, president of the American Bar Association, stated: "The practical immunity that crime enjoys in some sections of the country, and the delay, difficulty and uncertainty in enforcing the law almost everywhere is a reproach to our civilization."⁵ In the period following the Civil War the outlaw Jesse James became famous for his daring robberies of banks and railroads. He was regarded as a hero, and following his death, folk tales and novels perpetuated his reputation as a modern Robin Hood.

PROSTITUTION AND LIQUOR

In 1910 a commission was appointed to study conditions of vice in Chicago. The commission reported that the "tolerance and indifference toward the law by the citizens" had occasioned the development of a

system of restricted districts under police regulation, the result of which has been to nullify the law and render it inoperative. ... As a result of this attitude toward the law on the part of the community, the police department has been in a sense demoralized and has come to exercise a discretion which was never intended it should have.⁶

City after city in America allowed infamous red-light districts to prosper in violation of existing laws and to serve as breeding places for crime, debauchery, and disease.⁷

Almost all efforts to control liquor in the public interest have met with failure. So commonplace were the violations of the liquor laws prior to national prohibition that there was a complete breakdown of the licensing system. This breakdown was in large measure responsible for the public demand for nationwide prohibition. The Eighteenth Amendment, however, was unenforceable, and following its repeal there was a return in many areas to the flagrant abuses that gave rise to its adoption.⁸

TRAFFIC VIOLATIONS AND BLACK MARKET

The annual loss of life and property in the United States resulting from violations of the traffic laws presents an alarming picture.⁹ In Chicago, almost 20 per cent of the total personnel of the police department is assigned exclusively to the enforcement of the traffic laws. Yet in many places such laws are poorly enforced. A survey in Cincinnati, Ohio indicated that nearly half of all persons found guilty in traffic courts were released without penalty of any kind. Even the court costs of \$2.00 were not assessed against them.¹⁰ There is widespread evasion of traffic laws almost everywhere, and in many places enforcement programs have been permeated with corruption. And much of the corruption is initiated by the so-called good citizen himself; for when he is caught, he offers a bribe to the arresting officer.

⁵ James Bryce, *op. cit.* note 4 *supra*, Vol. II, p. 566; Vol. I, p. 339; also Robert M. Coates, *The Outlaw Years*, New York: Macaulay Co., 1930.

⁶ *The Social Evil in Chicago* (Chicago: Gunthorp-Warren Printing Co., 1911), p. 144.

⁷ Scientific studies by the League of Nations and by the famous scientist Abraham Flexner, who wrote *Prostitution in Europe* in 1914, established the failure of the segregated district. It is probable, however, that the growing political influence of the American woman was more responsible than the scientist for abolishing the red-light district in the United States. See D. W. Brogan, *The American Character* (New York: Alfred A. Knopf, 1944), pp. 48, 49.

⁸ For a brief summary of the efforts to control liquor in the United States, see Virgil W. Peterson, "Vitalizing Liquor Control", *Journal of Criminal Law and Criminology*, July-August 1949. See also August Vollmer, *The Police and Modern Society* (Berkeley: University of California Press, 1936), p. 100; Lloyd Lewis and Henry Justin Smith, *Chicago, The History of Its Reputation* (New York: Harcourt, Brace & Co., 1929), pp. 72, 73; Raymond B. Fosdick and Albert L. Scott, *Toward Liquor Control* (New York: Harper & Brothers, 1933), p. 39.

⁹ George Warren, *Traffic Courts* (Boston: Little, Brown & Co., 1942), pp. 3, 6, 7.

¹⁰ Charles O. Porter, "Defects in the Administration of Justice in Hamilton County (Cincinnati) Ohio," *Journal of the American Judicature Society*, Vol. 32 (June 1948), pp. 14-22.

During World War II, "the government found over 1,000,000 violations and imposed serious penalties upon more than 200,000 businessmen" for engaging in black market activities.¹¹ This widespread evasion of regulations took place at a time when the entire populace was solidly behind all-out efforts to prosecute a war involving the Nation's very existence. Yet the typical citizen took it upon himself to decide which regulations he was justified in evading.

MORALISTIC ATTITUDE TOWARD LAW

Large segments of the population believe the existing laws are necessary and desirable, but too many citizens consider it their individual right to disregard those laws. When the citizen heartily endorses a program of strict traffic enforcement, he is usually thinking of violations committed by others.

Professor Charles Edward Merriam has referred to the double standard of morality in dealing with prostitution, gambling, taxes, liquor, and similar matters. "In the abstract", says Professor Merriam, "every city is against gambling, and would vote strongly against the repeal of existing statutes forbidding it; but in the concrete, the citizens are not deeply interested in strict enforcement of the laws against games of chance." He also observed that it was evident that the "practical opposition" to prostitution "was not as strong as the theoretical."¹²

Some observers have contended that our moralistic attitude toward law accounts for widespread disrespect for statutes prohibiting gambling. Laws become disputable on moral grounds, and when a particular practice does not violate the individual's concept of morality, he feels free to violate the law.¹³ It is indicated that this attitude strengthens the rule of law when a statute prohibits conduct which is generally regarded as immoral, and breeds disrespect when the act forbidden is not considered a violation of the moral code. Murder is universally regarded as immoral. Yet America's murder rate is unusually high.¹⁴ In America, prostitution is morally condemned by almost everyone; but there has frequently existed a total public indifference toward the enforcement of laws prohibiting commercialized vice.

TOLERANCE RATIONALIZED

The obedience to or evasion of a law does not depend primarily on its moral support. Self-interest, personal convenience, and expediency are the principal motivating factors in widespread law evasion and in the public attitude toward law enforcement. When commercialized vice flourishes, the average citizen explains his tolerance of a practice which he would normally condemn as immoral, by remarking that the oldest profession cannot be effectively suppressed. Furthermore, he may reason, a wide-open town is good for business conventions and playboy tourists are attracted. Through the toleration of commercialized prostitution, the virtue of the decent woman is somehow made safe. To throw the professional prostitute out of work would create an economic hardship on the community, and in addition, he explains, it is impossible to legislate morality.

¹¹Marshall B. Clinard, "Secondary Community Influences and Juvenile Delinquency," *The Annals of The American Academy of Political and Social Science*, Vol. 261, Jan. 1949, p. 51.

¹²Charles Edward Merriam, Chicago, *A More Intimate View of Urban Politics* (New York: The Macmillan Co., 1929), pp. 55, 56.

¹³Gunnar Myrdal, *An American Dilemma* (New York: Harper & Brothers, 1944), pp. 15, 16.

¹⁴In 1943 there were 326 murders in Chicago and 315 in New York City, while in London there were only 39 murders and 21 offenses of manslaughter. See *Uniform Crime Reports*, Federal Bureau of Investigation, Washington, D.C., Annual Bulletin, Vol. XIX, No. 2, 1948, pp. 97, 100; and *Report of the Commissioner of Police of the Metropolis for the Year 1948* (London: His Majesty's Stationery Office), p. 37.

Similar rationalization figures prominently in America's high murder rate. In attempting to analyze the individual murderer, a well-known psychiatrist has observed that "in the interplay of mental forces the rationalization is as important as the impulse."¹⁵ And the murderer's rationalization frequently stems from the social attitudes prevailing in his community. Lynch murders are particularly vicious. Committed with design and premeditation, they are totally unsupportable on moral grounds, and they reflect a dangerous breakdown of duly constituted authority. Local public sentiment, however, frequently has been with the lynch murderer.

The public reaction to gang killings is generally one of total indifference. The average citizen reasons that for one hoodlum to kill another is actually a public benefit. Yet gang murders occur only when criminals, through the operation of illegal enterprises, have become strongly organized and sufficiently powerful to wage private warfare against rivals. Gang murders signify a breakdown of government.¹⁶

When the murderer and his victim are both members of the same racial minority group, the general public is little concerned with repeated breaches of the sixth commandment. Judges and other law enforcement officers reflect the same attitude. In Chicago's South Side, where crimes of violence are commonplace, a Negro citizen complained, "Officials don't worry as long as we are killing each other."¹⁷ It is only when members of the dominant racial group are being slain that the general public begins clamoring for a rigid enforcement of the murder laws.

LAWS INTENDED FOR SOCIAL PROTECTION

The demand for efficient law enforcement is seldom felt by officials until large numbers of people begin fearing for their own personal security. While many of us refrain from personally committing acts which offend the moral code, whether the public demands that a particular law be properly enforced rests almost entirely on considerations other than those affecting morals.

Most laws governing modern society were never intended to regulate private morals. Their principal objective was social protection. Present-day conditions have inevitably resulted in the enactment of hundreds of laws and regulations unheard of before the turn of the century. With the development of modern transportation, for example, it became necessary to enact a mass of laws to control traffic. But laws regulating traffic, health, sanitation, wages, child labor, commerce, and many others, have no direct relationship with morals, though they are necessary to our public safety and welfare.

This applies also to laws prohibiting gambling. Their principal objective is social protection.

RATIONALIZATION OF GAMBLING

Too frequently discussions of the enforceability of gambling statutes have been confined to moral issues. Whether gambling in itself is morally permissible or immoral becomes the principal point of contention. Perhaps such considerations are inevitable, since wide-open professional gambling has usually flourished to the greatest extent in an atmosphere of easy morals. Underworld history reveals that there has always been a close working relationship between the vice lords and the gambling kings. Often the control of both prostitution and gambling in a municipality has been vested in the same individuals.

¹⁵Frederic Wertham, *The Show of Violence* (Garden City, N.Y., Doubleday & Co., 1949), p. 251. Rationalization is defined by Dr. Wertham "as the building of a worthy motive for an unworthy desire."

¹⁶R. M. MacIver, *The Web of Government* (New York: The Macmillan Co., 1947), p. 368. Professor MacIver states: "Where armed violence occurs on a small scale, as between rival gangsters, it is because of failure or remissness on the part of the state."

¹⁷Virgil W. Peterson, "Crime Conditions in Fifth Police District", *Criminal Justice*, No. 73 (May, 1946), p. 21.

But any effort to determine the desirability or undesirability of the gambling laws on the basis of whether gambling in itself is moral or immoral serves no more useful purpose than to attempt an appraisal of the traffic laws by establishing the moral aspects of driving through a stop sign.

The emphasis frequently placed on the moral aspects of gambling has added to the problem of enforcement in two important respects. In the first place, the insistence of some religious groups that the act of gambling in itself is immoral is resented by those holding a contrary view. This resentment has given rise in part to the erroneous assumption that the antigambling laws resulted from a Puritanical influence that attempted to impose its moral code on others. In the second place, the evasion of the law is justified by many on the ground that gambling is not immoral. Many character-building groups, including neighborhood and boys' clubs, patriotic organizations that specialize in developing good citizenship, and churches, resort to illegal gambling enterprises to raise money. They justify the law violation on the ground that gambling is not immoral—a type of rationalization which will permit an evasion of most laws.

The real motive, however, for disregarding the gambling statutes is "easy money." A well-known columnist, Herb Graffis, recently wrote: "Churches and charitable organizations run illegal gambling because that's the sure way of getting money for holy causes from people who otherwise wouldn't contribute if the Almighty pushed a .45 at them." But as to other law violators, Graffis observed, the attitude is usually expressed somewhat as follows: "Those commies—they ought to be run out of the country. They've got no respect for American laws."¹⁸

Ironically, many gambling ventures for worthy causes are actually operated on a concession granted to racketeering elements. And there have been many honest police executives who have had their law enforcement programs sabotaged by the insistence of character-building groups that illegal gambling operations be permitted for their worthy causes. Not infrequently these organizations have resorted to improper methods of pressure on law enforcement officers, identical with those employed by the criminal element. And these illegal activities, together with improper pressures, are all justified on the ground that gambling is not immoral per se, since the money raised through the law violation is for a worthy cause—in some instances to help others become good law-abiding citizens.

Taking the cue from the character-building organizations which evade the law, professional racketeers often engage in large-scale gambling enterprises which are identified with a real or fictitious charity. Recently in Chicago a large commercial bingo game was conducted by city employees, some of whom had long been associated with professional gambling. The alderman of the district admitted having given the venture his blessing. The promoters and the alderman explained that plans were being made to start a boys' club which would benefit from the proceeds of the bingo game. Commenting on the project editorially, a local newspaper realistically observed that "promoters and racketeers search for philanthropies which will lend the respectability of their name in return for a portion, often trifling, of the proceeds."¹⁹

A charity façade has long been utilized in connection with large-scale gambling enterprises, many times conducted by notorious racketeers. And when this subterfuge is not employed, the gambler rationalizes that morally his business is no different from the enterprise operated by a charitable institution. The patron, in turn, rationalizes that morally there is little distinction between his patronage of a gambling venture operated in part for charity or one conducted for the welfare of an Al Capone. In either case, he is usually motivated principally by his desire to obtain "easy money."

¹⁸Herb Graffis, *Chicago Sun-Times*, Oct. 18, 1949.

¹⁹"Bingo Pays Off"—editorial, *Chicago Daily News*, Dec. 16, 1949.

LEGALIZATION, MASS GAMBLING, PROHIBITORY LAWS

The common assertion that America's antigambling laws stem from the early influence of Puritanism is without historical foundation. Mass gambling has always resulted in great social and economic ills; and almost every civilized nation in the world has from time to time found it necessary to resort to repressive legislation in an effort to protect its citizens. Egyptians, Greeks, Romans, and Hindus of ancient times invoked laws with severe penalties against gaming. The rabbis of the Second Temple classed gambling as a form of robbery and barred gamblers from the witness stand.²⁰

Since ancient times, laws pertaining to gambling have followed a rather similar pattern in many nations. The evils of mass gambling have led to prohibitory legislation, which in turn has frequently been poorly enforced. The never ending quest of new sources of revenue, plus the difficulty of enforcing the antigambling laws, often prompted their repeal and the enactment of statutes which licensed games of chance with the state sharing in the profits. Legalization schemes have in turn increased mass gambling to the extent that the nation has found it necessary again to enact prohibitory laws. On some occasions efforts have been made to restrict legalized gambling to tourists, and the laws have prohibited local residents from entering the gaming resorts.²¹

By 1882, the laws of virtually every state in Europe prohibited gambling.²² For many decades, legalized gambling has been a huge industry in South America. On April 30, 1946, the President of Brazil found it necessary to suppress most forms of gambling on the ground that it had become a "social cancer."²³

Lotteries in early American history

It was during the early period in our national life, when the Puritan influence was the strongest, that the United States had its longest experience with legalized gambling. Lotteries had been commonplace during colonial times. After the Revolutionary War the various states were badly in need of revenue. But "taxes the people would not bear," wrote the historian John Bach McMaster. Hence, lotteries were authorized to raise money for bridges, school buildings, churches, colleges, and public works of all kinds.

The *Pennsylvania Mercury* reported on August 24, 1790, that "the lottery mania appears to rage with uncommon violence." Lotteries were flourishing in every part of the United States.²⁴ Unscrupulous promoters incited the "get rich mania" among the people through high-pressure tactics. Lottery frauds became scandalous. Legislatures were bribed. The poor people in particular suffered. Money needed for the bare necessities of life was poured into the state-authorized lotteries in the false hope of obtaining easy riches. Illegal private lotteries sprang up everywhere. The lotteries became a menace to the public welfare, and serious-minded citizens everywhere began agitating for their abolishment. As William Christie MacLeod has observed:

... the great mass of worthy citizens of New York and Massachusetts and Pennsylvania a century ago were opposed to public lotteries, not on abstract ethical grounds, but on the ground that they had become a serious social evil ... The campaigners against lotteries were primarily businessmen and professional men who saw around them everywhere the growing menace of the public lottery of the day.²⁵

²⁰Francis Emmett Williams, "A P-M Victory in Michigan," *The Lawyer and Law Notes*, Fall issue, 1946, p. 6.

²¹John Philip Quinn, *Fools of Fortune* (Chicago: G. L. Howe & Co., 1890), pp. 100, 101.

²²Pierre Polovtsoff, *Monte Carlo Casino* (New York: Hillman-Curl Inc., 1937), p. 122.

²³United Press dispatch dated at Rio de Janeiro, May 1, 1946.

²⁴John Bach McMaster, *A History of the People of the United States* (New York: D. Appleton and Co., 1877), Vol. I, pp. 587, 588.

²⁵William Christie MacLeod, "The Truth About Lotteries in American History," *The South Atlantic Quarterly*, April 1936, pp. 201-11.

When most states outlawed lotteries in the early 1830's, the evils were fresh in the public mind. And in addition to enacting laws declaring lotteries illegal, many states inserted provisions in their constitutions which were designed to prevent future legislatures from ever again resorting to the folly of raising revenue through legalized gambling.

Following the Civil War, when the Southern States were poverty stricken, some turned to legalized lotteries as a means of raising revenue. Louisiana, in particular, engaged in large-scale lottery operations. The Louisiana lottery came into existence in 1868 under the regime of Governor Henry Clay Warmoth, a typical Reconstruction period official. Warmoth, a native of Illinois, had an unsavory earlier history which included a dismissal from the Army by General Ulysses S. Grant and an indictment in Texas for the embezzlement of government cotton. For over twenty years the lottery ruled the state of Louisiana. Governors, United States senators and judges were completely under the domination of this vast gambling enterprise.

During the first six years of its existence, the Louisiana lottery spent over \$300,000 in bribes of legislators and state officers.²⁶ The poor squandered their money on tickets. The lottery company steadily grew in opulence, and the abuse of its tremendous political power became intolerable. In an election for the governorship of Louisiana in 1892, the sole issue of the campaign was the lottery. The people voted it out of existence.

An established pattern

To attribute America's laws prohibiting lotteries to the influence of Puritanism which considered gambling a "sin" is to ignore historical facts. State-authorized lotteries generated mass gambling resulting in social, economic, and political evils which caused the people to enact prohibitory legislation. England had a similar experience. In 1808, a committee of the House of Commons reported that

the foundation of the lottery system is so radically vicious, that your Committee feels convinced that under no system of regulations, which can be devised, will it be possible for Parliament to adopt it as an efficacious source of revenue, and at the same time, divest it of all the evils which it has, hitherto, proved so baneful a source.²⁷

Various experiments with other forms of legalized gambling in the United States have usually resulted in mass gambling with attending social and economic evils to the extent that the licensing laws have soon been repealed. It is only in the state of Nevada that gambling in general is legalized in the United States today. And Nevada's liberal divorce and gambling laws "are condoned by many as a matter of economic expediency in lieu of more desirable ways of making a living."²⁸

LEGALIZATION LEADS TO ABUSES

Various attempts at liberalizing the antigambling statutes by permitting only certain types of games have usually resulted in many abuses and the law enforcement problems have increased tremendously. In recent years the Montana legislature enacted laws permitting slot machines in private clubs. Punchboards were also legalized, with the state receiving 3 per cent of the value of each board. In the latter part of 1947, Governor Samuel C. Ford publicly deplored the gambling conditions in the state. He stated that his "two outstanding mistakes were when I signed the slot machine law and the punchboard

²⁶Marquis James, *They Had Their Hour* (Cleveland: World Publishing Co., 1942), pp. 272, 273.

²⁷John Ashton, *The History of Gambling in England* (London: Duckworth and Co., 1899), p. 238.

²⁸Thomas C. Donnelly (Ed.), *Rocky Mountain Politics* (Albuquerque: University of New Mexico Press, 1940), p. 99.

law." Governor Ford said that he would recommend and insist "that both laws be repealed."²⁹ By 1949, there were over six hundred so-called private clubs in Montana, many of which were merely "fronts" for slot-machine interest.

In 1947, the Idaho legislature passed a law that enabled municipalities to license slot machines on a local option basis. Many communities took advantage of the law for the purpose of raising revenue. Because of the abuses which arose, several cities cancelled all slot-machine licenses in 1949. Governor C. A. Robins of Idaho asked the 1949 legislature to repeal the law in its entirety.³⁰

Experiments with the legalization of games of chance for the sole benefit of charitable organizations have at times resulted in serious abuses. Several years ago in Massachusetts, gambling czars established a mass of dummy charities to comply with the law, and engaged in large-scale commercial gambling activities. In several instances, the churches which were the alleged beneficiaries received only a few dollars or nothing at all, while the professional gamblers were fattening on the proceeds. Wholesale license revocations were necessary when the gambling craze got completely out of hand.³¹

The fact that a person may attend a race track in many states and be permitted legally to wager has added to the problems of enforcing the anti-gambling statutes in general. Pool-rooms and handbooks have always been the source of many social and economic evils, particularly among the lower income groups. Proponents for legislation that would permit pari-mutuel wagering at the race tracks contended that their plan would eliminate the handbook. A witness before a Senate committee in Washington in 1936 testified: "Whenever you find legalized racing you find few bookies . . . the bookies close up shop rather than compete with the organized forces of the law. It's history that legalized racing runs the bookies out of business."³²

Such contentions were contrary to historical experience, which has established that the legalization of any form of gambling greatly increases its illegitimate offspring. Today it is well recognized that "bookmaking has increased enormously since the pari-mutuel machines were legalized in twenty-three states, although the conviction was that it would be uprooted."³³ *Digest*, Aug. 29, 1936.

The pari-mutuel system of race-track betting theoretically affords the customer gambling that is honest. When wagering is confined to the race track, state control and supervision are possible to a greater extent than in any other form of gambling. Yet the history of race-track gambling contains many sordid chapters involving fraud on the part of horse owners, trainers, and jockeys. Many underworld characters have been identified directly or indirectly with racing. And the problem of enforcement of the gambling laws in general has been increased tremendously through the legal sanction of race-track wagering in several states.

Police officers, public officials, and many citizens chant a similar refrain in justification of a policy of tolerating illegal handbooks or in support of proposals to legalize them. They say that since those who can afford to do so are permitted to wager legally at a race track, the poor man should be provided with equal opportunities to gamble in a handbook. Unfortunately in the matter of indulgence in luxuries of a material nature, the poor man can never enjoy equal opportunities with the wealthy. And the sole objective of any intelligent legislation dealing with gambling and kindred matters should be social control in the interest of public welfare.

²⁹*Denver Post*, Nov. 23, 1947.

³⁰State of California, *Second Progress Report of the Special Crime Study Commission on Organized Crime*, Sacramento, March 7, 1949, p. 66.

³¹"Beano and Bingo: Other 'O' Games Under Inquiry as Craze Becomes a Menace," *Literary*

³²John Richard O'Hare, *The Socio-Economic Aspects of Horse Racing* (Washington: Catholic University of America Press, 1945), pp. 80, 81.

³³*Ibid.*, p. 22.

GAMBLING IS EXPLOITATION

The distress caused by commercialized gambling has always fallen with greatest weight on families with low incomes. Gambling is merely a method whereby wealth is redistributed from the possession of the many into the hands of the few. The business of gambling is entirely parasitic, and exists for the sole purpose of exploiting a human weakness. The gambling-house patron as a class necessarily loses financially. The argument that handbook operators or other gambling-house proprietors should receive official sanction to exploit those who can least afford to lose runs counter to all concepts of enlightened social legislation. In fact, much of our modern legislation is designed to prevent exploitation on the part of legitimate businessmen who perform a genuine service to the community. Some of the staunchest supporters of these laws change their viewpoint with reference to the dubious business of gambling. Under the guise of liberalism they adopt the position that the state should legalize its exploitation.

GAMBLING REVENUE AND POLITICAL CORRUPTION

In justification of such proposals, it is usually contended that the state would benefit in the form of increased revenue, and gambling would be placed under control. All legalized gambling schemes are primarily revenue measures; and legalized gambling as a means of obtaining revenue is incompatible with control. Since revenue is the principal end, it becomes expedient to issue more and more licences in order to obtain more and more revenue.

Under our system of government the administration of the licensing laws inevitably falls into the hands of the dominant political party of a locality. Obviously, a political regime, including police, prosecutors, and courts, that has been impotent in the enforcement of the substantive laws prohibiting gambling, does not suddenly become efficient and honest with the mere enactment of laws which license gambling establishments. The issuance of licenses and the enforcement of the license laws would be based on political considerations with virtually unlimited opportunities for corruption. Given a legal status, gambling houses, become located on main business streets and vie with competing places for patronage. Bright signs advertise their location. Over the radio, in the newspapers, and on huge billboards, people are urged to gamble. The "get something for nothing" appeal naturally is most alluring to the poor, to those who can least afford to contribute to the gambling fraternity. History has recorded that in America legalization has almost always resulted in mass gambling.³⁴

SOCIAL PROTECTION—NOT PRIVATE MORALS

The antigambling laws in the United States are not intended to regulate the private morals or habits of individuals. For example, "most antigambling statutes do not make it unlawful to play or bet at cards at a private house or residence, from which the public is excluded. . . ."³⁵ In some jurisdictions, casual betting or gaming is not prohibited.³⁶ But most laws do prohibit the business of gambling which exists solely to exploit a human weakness and causes economic and social distress on entire families of many who patronize professional gambling houses.

³⁴Virgil W. Peterson, "Gambling—Should It Be Legalized?" *Journal of Criminal Law and Criminology*, Vol. 40, No. 3 (Sept.-Oct. 1949), pp. 259-329.

³⁵*American Jurisprudence* (Rochester: Lawyers Cooperative Publishing Co.), Vol. 24, p. 419.

³⁶*Ibid.*, Vol. 24, p. 407.

Likewise, the laws that make gambling contracts unenforceable and gambling debts uncollectible are intended to afford social protection rather than to regulate private morals. It has frequently been contended that if a man wants to make a fool of himself by patronizing a gambling house, the law should not help him evade financial obligations arising from his folly.

The gambling-house proprietor relies on a mathematical percentage which assures him of financial success. The patron, on the other hand, defies the laws of mathematics and logic. Governed by his emotions, in which superstition frequently plays a strong part, he contributes to the gambling establishment. Often this emotional appeal becomes so overpowering that he gambles away his entire wealth as well as his earnings for some time to come. The principal sufferers in such cases are members of his family who are wholly dependent upon him for support.

To permit the inherently illegitimate gambling business to invoke the courts of justice or enforce hardships on children and other dependents, or to make the community support them while gambling debts are being paid, would be a reactionary move of the most vicious nature.

Likewise, the history of gaming clearly reflects that dishonesty and fraud have always been integral parts of the gambling business. A well-known mathematician, who has made a scientific study of gambling for many years, has properly concluded that "gambling has always been and always will be a crooked business."³⁷

POLITICAL SIGNIFICANCE OF GAMBLING BUSINESS

The desire to obtain "something for nothing" is present in most people. It constitutes a strong urge in many, and an all-consuming passion in others. Customers for various professional gambling schemes are always available in sufficiently large numbers to make the enforcement of the antigambling statutes difficult. In addition, the tradition of lawbreaking which has become a part of the American character adds immensely to the problem. But gambling as a source of political power perhaps plays the most important role in the non-enforcement of the antigambling laws. In many well-governed municipalities, the antigambling laws are well enforced. The business of gambling can be largely forced out of existence everywhere if the police so desire "and if they are permitted by higher authorities to do so."³⁸ A commercial gambling establishment virtually never starts operating without the permission of responsible officials. Wide-open gambling never flourishes unless it has the sanction of the duly constituted authorities.

Alliances between those in control of commercialized gambling and professional politicians on a ward, city, or state level are almost expectable products of the American political system. Men of unusual ability and high integrity are not easily attracted to political life. They are able to utilize their talents to a greater personal financial advantage in private business or in their professions. The salaries offered to those holding most city, state, or Federal positions do not compare favorably with those in business or the professions. Men seeking honor, prestige, and distinction seldom look to politics to achieve those objectives.

But political life does afford excellent opportunities for exploitation by those who are not troubled by a high sense of integrity and public duty. Consequently, the ruling political classes in too many localities are comprised largely of opportunists. In order to remain in power they must maintain an efficient political organization, requiring continuous financial support and num-

³⁷Ernest E. Blanche, *You Can't Win* (Washington: Public Affairs Press, 1949), p. 11.

³⁸Edwin H. Sutherland, *Principles of Criminology* (Philadelphia: J. B. Lippincott Co. 1934), p. 205.

erous workers. The highly lucrative gambling business is willing to make regular financial payments to political leaders who are in a position to give them needed protection. The alliance between political opportunists and the underworld leaders who control gambling is one of mutual advantage. As a result of such alliances, the law violators gain substantial control over the law enforcers and dictate many of the law enforcement policies of the community.

In many places large campaign contributions have been made by gamblers toward the election of a mayor, with the understanding that they would be permitted to name the head of the police department. The Wickersham Commission in 1931 reported that through alliances between politicians and the criminal element the professional gamblers had gained control of the police department, in Los Angeles, San Francisco, Detroit, and Kansas City.³⁹ These conditions are not unusual. They have been commonplace in American municipal history.

Control of elections and appointments

The political importance of the gambling business is not limited to its financial support to ward organizations. It is imperative to the gamblers that a friendly administration meets with success at the polls. Active election workers are furnished in substantial numbers. And these individuals have a selfish interest in the success of their candidates. For many years in Chicago, numerous precinct captains of the dominant political machines were gambling-house proprietors. Several were in partnership with members of the notorious Capone gang. Some political leaders who have won national attention for consistently amassing huge pluralities in elections owe much of their political success to the financial aid of workers furnished by their underworld allies in control of gambling.

Whenever such conditions exist, it is only natural that considerable political power is vested in the gambling bosses. The political rulers must give consideration to their wishes when selecting slates of candidates for many offices, particularly those affecting the administration of justice or law enforcement.

The lenient attitude prevailing in many courts toward gambling offenders is easily explainable in certain localities. The tremendous political influence of professional gamblers would make it inexpedient for judges to arouse their ill will. In one important county, the gambling interests were so powerful politically that during a period of thirty years no candidate for sheriff was elected who pledged a policy of enforcing the gambling laws. The unlimited financial resources and election workers available to the gamblers made it political suicide to oppose them. At various times in many of our largest cities, gambling kings have also ruled over the political machinery and exerted tremendous influence over the police, the prosecutors, and the courts. Under such circumstances the nonenforcement of the gambling laws is no mystery.

Virgil W. Peterson, Chicago, Illinois, is operating director of the Chicago Crime Commission, and is on the editorial board of the Journal of Criminal Law and Criminology. He was a member of the Federal Bureau of Investigation from 1930 to 1942 and was in charge of the Bureau's offices in Milwaukee, St. Louis, and Boston.

³⁹ National Commission on Law Observance and Enforcement, *Report on Police*, No. 14 (Washington: Government Printing Office, 1931), p. 45.

